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ISRAEL
Using technology to create employment
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World News

Bush names black judge to succeed Marshall

President George Bush said he would nominate Clarence Thomas, a black federal appeals court judge, to the Supreme Court as a replacement for retiring Justice Thurgood Marshall. He is a conservative former chairman of the Equal Employment Opportunity Commission. Page 18

UK design for Iraq
A defence company owned by the British government designed and equipped a missile-testing complex for Iraq between 1985 and 1989, in possible contravention of stated UK foreign policy. Page 18

Troops take over Sidon
Lebanese troops peacefully took over the southern port of Sidon, ending 16 years of gun law, but fighting later flared with PLO guerrillas who refused to surrender their strongholds. Page 18

Kohl admits unity error
German chancellor Helmut Kohl admitted he had underestimated the problems involved in rebuilding east Germany's economy and government structure. Page 18

Algiers HQ seized
Riot police and plainclothes agents seized the headquarters of Algeria's Islamic Salvation Front after making 700 arrests. Page 6

Warsaw Pact buried
East European leaders joyfully buried the Warsaw Pact and the subservience to the Soviet Union it institutionalised. "As of noon today, the Warsaw Pact is non-existent," Czechoslovak president Vaclav Havel announced in Prague.

Sweden applies to EC
Swedish prime minister Ingvar Carlsson formally applied for European Community membership, handing the application to Dutch prime minister Ruud Lubbers as the Netherlands assumed the EC presidency. Page 3; Interim summit oct, Page 2

Bangladeshi pledge
Bangladesh will soon switch to a parliamentary system of government, ending its 16 years of presidential rule, prime minister Begum Khaleda Zia promised.

China's hard line
China will remain a socialist dictatorship with no room for capitalism or multi-party democracy, Communist party leader Jiang Zemin vowed in a hardline speech on the party's 70th birthday. Page 6

Volcanic landslide
A landslide of volcanic mud, rock and ash from Mount Unzen, unleashed by heavy rain, cut a five-mile swathe through three towns on the southern Japanese island of Kyushu. No casualties were reported.

Mine blamed for cancer
Radioactive particles caused lung cancer in at least 5,300 east Germans who worked in a huge uranium mine that secretly supplied Moscow's nuclear arsenal, the German environment minister said.

Colombian ambush
Gunmen ambushed a car carrying the mayor of Cali, seat of Colombia's second-largest cocaine cartel, killing three bodyguards. The mayor escaped injury. On the defensive, Page 4

Andorra in from the cold
The Pyrenees principality of Andorra, economically isolated for centuries, established formal links with the European Community based on its first international treaty. Page 3

Drugs go up in smoke
Foreign dignitaries in Rangoon set fire to a pile of heroin and other drugs that Burmese police said was worth $192m.

Business Summary

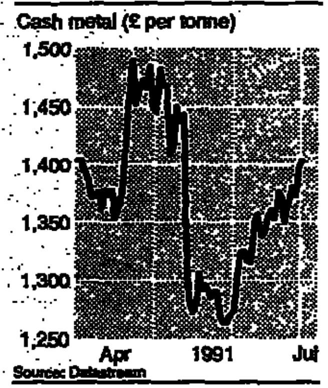
Agencies report record downgrading of US debt

The main Wall Street rating agencies said they had downgraded record amounts of corporate debt in the first half of 1991 and seen corporate bond defaults hit new highs. Standard & Poor's said a record $408bn of corporate debt was given reduced ratings during the six months, only $100bn short of the amount downgraded in the whole of 1990, and almost double the $234bn in the first half of the previous year. Page 19

COPPER: Striking Chilean miners closed down Chuquicamata, the world's biggest copper mine, for the first time in 18 years. The pay dispute sent the price of cash copper

Copper

Cash metal (£ per tonne)



Source: Datastream

up £5.50 to £1,402.50 a tonne on the London metals exchange. The rise was modest as the strike was already discounted in the price. Commodities, Page 28

GENERALI: Eugenio Coppola di Canzano, the new chairman of Italy's leading insurance company gave little indication as to how the company intended to use L1,750bn ($1.4bn) from its rights issue, one of the country's largest. Page 19

DEUTSCHE Bank dismissed its chief equity warrants dealer, Manfred Mertens, after irregularities came to light during a wider inquiry by the Frankfurt Stock Exchange into allegations of insider trading which have implicated the bank. Page 19

AMGEN, the US bio-technology company, is to take an after-tax charge of $88.5m against earnings in the quarter to June 30. The charge is to cover damages awarded to Johnson & Johnson over the marketing of erythropoietin (EPO), a drug that stimulates white blood cell production. Page 23

BORAL, Australian construction and building materials group, warned that net profits would fall by around 35 per cent for the year to the end of June. It had earlier forecast a decline of around 28 per cent. Page 22

NISSAN: Nissan UK, the car importer/distributor controlled by Octav Botnar, currently enjoys gross sales margins "of nearly 50 per cent" on the cars it receives from the Japanese vehicle maker, according to documents filed with the Japan Commercial Arbitration Association. The claim is made by Nissan Motor, Japan's second largest carmaker. Page 7

GAS: Four members of a European gas buyers' consortium have agreed to boost natural gas purchases from Norway by 2.5bn cubic metres (bcm) to 33bcm a year over a period of two decades from the turn of the century, the Norwegian state oil company (Statoil), said. The four buyers are West German companies Thyssengas and Birgitta, Gasunie of the Netherlands and Belgium's Distrigaz. Page 4

POLAND: Lower tax revenue caused by a sharp fall in industrial production and delays in privatisation is forcing the Polish government to make drastic spending cuts to keep the budget deficit under control. Page 3

Monitoring force may be sent to republics as cracks appear in ceasefire

Yugoslavia calls up reservists to bind federation

By **Laura Silber** in Belgrade and **Judy Dempsey** in Ljubljana

YUGOSLAVIA'S army yesterday called up thousands of reservists and said it was "at the highest level of combat readiness" in a bid to hold the federation together by force.

Belgrade television reported that the army had called up 200,000 reservists from the republics of Serbia and Bosnia-Hercegovina in the wake of independence moves by Slovenia and Croatia.

Western military analysts said Slovenes and Croats were leaving the army and that the largely Serb officer class did not trust the Albanians and other ethnic groups.

However, an army without these groups would, in effect, become a rump Serbian army which would fight on the side of the Serb minority in Croatia if the situation deteriorated further following clashes between the groups on Sunday.

Meanwhile, the international community continued its mediation efforts with an announcement that senior officials from the Conference on Security and Co-operation in Europe (CSCE) would meet in Prague, the Czechoslovakian capital, tomorrow to discuss the possibility of sending a monitoring force to Yugoslavia.

The moves came amid signs that a peace accord agreed on Sunday night was only being partially successful. In spite of the accord, many federal army units in Slovenia had not returned to their barracks by last night.

There were indications that some troops were being prevented by Slovene territorial defence units from withdrawing to their barracks after they occupied the republic last Wednesday. The federal army entered Slovenia after the republic declared its independence, and moved to take control of its border posts.

Agreement for the troops to withdraw was reached on Sunday night between Mr Ante Markovic, the federal prime minister, and Mr Milan Kucan, the president of Slovenia. No timetable was set and no arrangements were made for withdrawal.

Slovenia and Croatia had asked the European Community to send observers to supervise the withdrawal of federal troops, which is one of the three elements in the truce arranged by three EC foreign ministers on Sunday.

However, the new Dutch presidency of the EC said the possibility of sending a monitoring force to Yugoslavia would be studied under the auspices of the CSCE.

The political situation remained confused. Although the country now has a president – Mr Stipe Mesic, a Croat – as part of the agreement worked out with the EC foreign ministers, the government remains paralysed because of internal divisions between Serbia and Croatia.

Slovenia yesterday boycotted the first meeting of the collective presidency since Serbia's refusal to allow a Croat to head the revolving collective presidency six weeks ago. One of the presidency's first demands was that Slovenia allow federal troops to return to their barracks and free soldiers it had captured.

But Mr Milan Kucan, the president of Slovenia, was sceptical that the agreement between the federal government, the presidents of Croatia, Serbia and Slovenia, and the three EC foreign ministers would hold.

EC may check ceasefire,Page 2

Yugoslav president Stipe Mesic, elected after the visit of European foreign ministers

Tokyo cuts official interest rates

By **Robert Thomson** in Tokyo

JAPAN cut official interest rates yesterday for the first time in 4½ years, restoring confidence in a shaken Tokyo stock market and providing evidence that the country is committed to international interest rate co-ordination.

Mr Yasushi Mieno, the Bank of Japan governor, insisted yesterday that "monetary policy is not aimed at supporting share price", but the timing of the half-point cut in the official discount rate (ODR) to 5.5 per cent was generally believed to have been inspired by government concern at the sharp fall in the Tokyo stock market last week.

But there was a widespread belief that without international pressure, the central bank would have been happy to maintain the ODR at 6 per cent and to continue with a tight monetary policy.

Japan's ODR had been lifted five times in the period from May 1989 to August last year, rising from 2.5 per cent to 6 per cent, as the central bank sought to cool an overheated economy and reduce stock and property speculation that had thrived on Japan's low interest rates.

With the deregulation of Japan's financial markets, the effects of the cut are more symbolic than real, although it is likely to encourage downward movement in market rates.

The Finance Ministry was yesterday discussing with commercial banks the possible reduction in their lending rates.

It is believed that US pressure was the most important factor behind the rate cut, particularly with a Group of Seven leaders meeting scheduled for July 15 in London. The ODR was last cut in February 1987, the month of the G7's Louvre accord on currency stabilisation.

Ms Chiharu Sumita, an economist at stockbroker UBS Phillips & Drew, said that the announcement turned the stock market around yesterday, but "the motivation is basically international".

She said that the central bank could have guided interest rates lower, but chose to make the announcement to bring official rates into line with those of the US.

Japanese industry representatives generally welcomed the rate cut, and Mr Ryutaro Hashimoto, the finance minister, said the central bank's announcement was "timely".

He said the decision followed "a careful study of economic trends", in particular, a slowing of money supply growth and signs that prices are heading down.

However, both Mr Mieno and Mr Hashimoto warned that they would not allow a return to the easy money era of the late 1980s, and said they will study the stock and property markets for signs that Japan's "speculative bubble" is re-expanding.

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Japanese rate cut boosts US and European markets

By **Peter Norman**, Economics Correspondent, in London

THE Japanese interest rate cut helped to boost share prices in Europe and the US but it had little impact on currency markets after analysts concluded that it was unlikely to affect interest rates abroad.

Yesterday's 3.51 per cent jump in the Nikkei average to 24,108.76 encouraged equities to rise in Paris and in London, where the FT-SE 100 index closed up 28.8 points at 2,443.6.

By the afternoon, however, US developments began to dominate the markets. News of a positive US purchasing managers report fuelled an early rise in blue chips on Wall Street that left the Dow Jones industrial average up by some 34 points at 2,940 at midday.

Trading volumes were only moderate in Tokyo, London and New York, raising doubts over how sustainable yesterday's price rises will be. A cautionary note was sounded in Germany where higher taxes to pay for union and uncertainty over possible future tax increases caused equities to close little changed.

Analysts said that the Japanese discount rate cut would not influence the Bundesbank, which is expected to keep interest rates high. Similarly, it is unlikely to have any direct impact on UK policy-making

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Key US economic indicator shows recovery is underway

By **Michael Prowse** in Washington

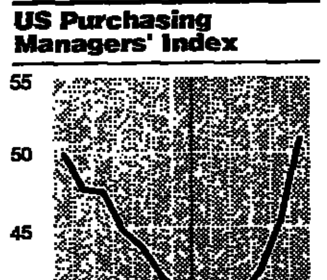
A SURGE in the US Purchasing Managers' Index – a closely watched gauge of industrial conditions in the US – released yesterday indicated that the nascent US economic recovery gathered momentum in June.

The index, led by soaring new orders, jumped to 50.9 per cent from 45.4 per cent in May. This was the fifth successive monthly rise and the first time the index has topped 50 per cent since May last year. A reading above 50 per cent indicates that the US manufacturing economy is expanding.

The size of the increase took financial markets by surprise, prompting a sharp rise in share prices and in the dollar, and a fall in bond yields as traders discounted the prospect of further interest rate cuts.

Mr Robert Bretz, a spokesman for the National Association of Purchasing Management, said the rise showed that the US recession was "essentially over for the manufacturing sector as well as the overall economy". He said that past experience suggested that even if the index were unchanged for the rest of the year, US real gross national product was likely to expand by 0.9 per cent, more than generally forecast.

US Purchasing Managers' Index



The index, based on responses from purchasing managers in 300 US companies, is one of the first economic indicators published each month. The June rise provides the first reassuring sign that the infant economic recovery evident in statistics for April and May will prove solidly based.

Mr John Taylor, a White House economist, yesterday said the Administration expected "substantial" growth in the current quarter following a slight increase in gross national output between April and June.

The White House is preparing a new economic forecast for release in the middle of this month. But Mr Taylor indicated that it would probably stick closely to its previous forecast of 3.6 per cent growth next year – a mild recovery by past standards.

But not all sectors of the economy are yet showing unequivocal signs of recovery. Yesterday the Commerce Department reported a 1.0 per cent fall in construction spending between April and May, mainly due to the weakness of non-residential construction.

The purchasing managers' index of new orders jumped 8.5 percentage points last month to 59.1 per cent, the highest level since August 1988.

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Sweden's Social Democrats enjoy a summer revival

After two years in the political doldrums, Ingvar Carlsson, Sweden's prime minster, is enjoying a revival in the opinion polls as the public weighs up the quality of the opposition
Page 3

MARKETS

STERLING
New York lunchtime:
$1.611
London:
$1.615 (1.619)
DM2.9425 (2.9375)
FFr9.965 (9.9525)
SFr2.5275 (2.5225)
Y223.5 (223.25)
£ index 89.5 (89.6)
GOLD
New York: Comex Aug
$368.2 (370.0)
London:
$368.95 (369.4)
N SEA OIL (Argus)
Brent Aug
$18.75 (+0.05)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.826
FFr6.1845
SFr1.5665
Y138.45
London:
DM1.822 (1.8145)
FFr6.17 (6.1475)
SFr1.5655 (1.558)
Y138.35 (137.9)
$ index 68.1 (68.0)
Tokyo close: Y137.84
US lunchtime rates
Fed Funds $6\frac{1}{2}$%
3-mo Treas Bills: 5.74%
Long Bond:
$96\frac{12}{32}$
yield: 8.43%

STOCK INDICES
FT-SE 100:
2,443.6 (+28.8)
FT Ordinary:
1,898.7 (+20.8)
FT-A All-Share:
1,172.21 (+0.9%)
New York lunchtime:
DJ Ind. Av.
2,942.31 (+35.56)
S&P Comp
376.43 (+5.27)
Tokyo: Nikkei
24,108.76 (+817.8)
LONDON MONEY
3-month interbank:
$11\frac{3}{16}$% ($11\frac{3}{32}$)
Liffe long gilt future:
Sep $90\frac{7}{32}$ ($90\frac{8}{32}$)

Deputies clear Soviet privatisation law

By John Lloyd in Moscow

THE Soviet parliament yesterday passed a law on privatisation billed as the centrepiece to the Soviet government's turn towards the market.

But pressure from both hardline and moderate deputies has shorn the bill of its more radical features. Mr Anatoly Lukyanov, president of the Supreme Soviet, assured parliament the law would not mean an end to socialism, or the dawning of a capitalist era.

He was soothing not just the fears of the deputies, but of the population at large, many of whom dread a new market order.

He told deputies repeatedly through three days of bitter debate that the transfer of state property into private hands would be "only a minor part" of the law, which concentrated on "destatisation", or denationalisation.

"Destatisation" involves the transfer of state property from the current limbo of assumed state ownership into specific joint stock companies, with all or most shares held by the state. Privatisation is seen as the selling of these shares to the wider public.

Mr Nikolai Petrakov, the former economic adviser to Soviet President Mikhail Gorbachev, said yesterday that the law was "designed to bring in money to the state without losing control".

Under the terms of the bill, workers in the industries marked for "destatisation" can block its sale, and have priority in buying the shares or receiving them free. Certain categories of industries – including the relatively efficient defence industries – have been exempt from sale, except where they convert to civilian production.

However, the bill formally ends the state monopoly on property, and it allows individuals, including foreigners, to buy shares in privatised industries.

A State Property Fund, responsible to the Supreme Soviet and the Cabinet of Ministers, will administer the sale of property and set the prices at which it will be sold.

The official news agency Tass reported yesterday that the government expected Rbs170bn-Rbs200bn (£56.6bn-£66.6bn) from the sale of state property in the first stage of privatisation, up to the end of 1992, and Rbs350bn-Rbs400bn in the second stage, to the end of 1995.

In the first stage the government has forecast that 40-50 per cent of enterprises will be privatised, many of these being shops and workshops. In the second stage, as more larger enterprises are sold off, the proportion of property sold in some form will rise to about 70 per cent.

However, the legislation explicitly allows republics to adopt their own forms of privatisation. Already the Russian republic has adopted a plan to give its citizens vouchers with which to acquire shares in trusts which would take over state property.

LEADERS of the Warsaw Pact states yesterday formally dissolved the 36-year-old treaty which bound them together in a Soviet-dominated military alliance, writes Ariane Genillard in Prague.

Mr Vaclev Havel, Czechoslovakian president, told a meeting in Prague: "This is not the end of a period, but the beginning of a new one, in which our countries are going to co-operate on an equal footing."

All participants stressed the importance of recent bilateral agreements and highlighted the economic, rather than military, nature of future co-operation.

They also emphasised the importance of the CSCE charter in creating a new structure for security and co-operation in Europe.

Gorbachev 'resolute on market reform'

By Anthony Robinson, East Europe Editor

PRESIDENT Mikhail Gorbachev's desire to address G7 leaders this month means "he has really made up his mind to go for market reforms, private property and political democracy," according to Mr Stanislav Shatalin, the Soviet economist whose "500-day" economic reform plan was emasculated by the Soviet leader a year ago.

Mr Gorbachev would be asking for "intellectual input" as well as credits from the leading industrial countries at their London meeting, he told a Confederation of British Industry conference.

But, in a characteristically irreverent aside which revealed his continuing doubts about Mr Gorbachev's grasp of economic principles, he added that "a shiver ran down my spine" when the Soviet president suggested the revised 500-day scheme, drawn up by Mr Grigory Yavlinsky and a group of Harvard economists, was compatible with the Soviet government's reform programme.

He said the phrase reminded him of Mr Gorbachev's insistence last autumn that the Shatalin pro-market plan be merged with the old-style government scheme of then-Prime Minister Nikolai Ryzhkov. It was a hybrid, scathingly attacked at the time by Mr Boris Yeltsin, the Russian leader, as a "marriage between a hedgehog and a snake".

Mr Shatalin, who argued there was no alternative to market reform for the Soviet economy other than "descent into the graveyard", warned against the belief that there was a monolithic bloc of party, KGB and military conservatives blocking reform.

"We see mirrored in all these institutions the same cracks and divisions which run through our society."

The election of Mr Yeltsin as Russian president with a 60 per cent majority and the re-election of the liberal mayors of Moscow and Leningrad were important indicators of the political momentum behind reform, he added.

Professor Jeffrey Sachs, co-author with Mr Yavlinsky of the so-called "grand bargain" plan, was also in London yesterday. The plan, which has been endorsed in principle by Mr Gorbachev, suggests the G7 should channel financial and technical assistance to the Soviet Union on condition the Soviet side implements fundamental reforms like price liberalisation, privatisation and rouble convertibility.

Gorbachev: to request 'intellectual input'

Professor Sachs, who earlier advised the Polish government on its economic stabilisation plan, faced a sceptical panel of economists at a discussion organised by the Centre for Economic Policy Research.

Professor Willem Buiters of Yale called the plan more a "grand illusion" than a grand bargain and argued that "western economic aid would constitute reckless intervention in the de-colonisation of the Soviet empire and. . . serve only to prop up the forces striving to maintain the present political structure, including the old-style communist party leadership, the KGB and the Red Army."

Bush meeting, Page 5

Pravda editor says party split possible

By John Lloyd and Reuter

THE editor of Pravda, the main Soviet Communist party paper, said yesterday that a split in the party was now possible.

Mr Ivan Frolov told a press conference called by the party's central committee to publicise its new programme that "there is some threat to unity: such dangers do exist".

"Now we should act as if we were beginning anew. A split might take place, and we should look to consolidate the nucleus of the party," he added.

Ms Tatyana Samolis, who directs the letters department of the once mighty Kremlin mouthpiece, quoted readers as calling for a split between supporters and opponents of reform and suggesting President Mikhail Gorbachev should make a final break with the hardliners.

"Perhaps a split is really in the offing?" said Ms Samolis, whose newspaper is officially the organ of the party's conservative-minded central committee but has generally backed Mr Gorbachev in his manoeuvres between the reformers and old-style communists.

In the latest edition of the weekly Literary Gazette, poet and parliamentary deputy Mr Yevgeny Yevtushenko said the fact that Mr Gorbachev remained in the same party as confessed Stalinists "ties his hands and does not help him implement perestroika".

Mr Vladimir Ivashko, the party's deputy general secretary, said the party control commission, or disciplinary body, would today issue a judgment on the call by Mr Eduard Shevardnadze, the former foreign minister, for the creation of a new party. Mr Shevardnadze is a member of the central committee.

The statements from leading communists came as pressure continued to build from hardliners for a special congress to bring the party leadership, and in particular President Gorbachev, the general secretary, to order for turning to market-oriented policies and for the deteriorating economic situation in the country.

The crisis comes to a head as work is being completed on the new party programme, "For Humane Democratic Socialism", which has already angered hardliners for its reformist, social democratic tone. The programme commits the party to a market system and to democracy.

EC may help check Yugoslavia ceasefire

By David Buchan in Brussels

THE 12 EC states are ready to send observers to monitor the ceasefire in Yugoslavia, officials said yesterday, but only as part of a pan-European action co-ordinated through the Conference on Security and Co-operation in Europe (CSCE).

Slovenia and Croatia had asked the EC itself to send observers to supervise the withdrawal of federal troops, which is one of the three elements in the truce arranged by three EC ministers.

Returning yesterday morning from their second trip to Yugoslavia in two days, the foreign ministers of Italy, Luxembourg and the Netherlands said tomorrow's meeting of the CSCE in Prague should decide whether to send observers. "The Twelve could jointly send national observers," said an official yesterday.

The EC has Commission diplomats which represent it around the world, and members of the European Parliament often monitor foreign elections. But the Community – as distinct from its member states – has no police or soldiers to send to such a dangerous situation as Yugoslavia, though such possibilities for the long term were part of last weekend's summit discussion.

The mechanics of EC diplomacy in the Yugoslav crisis were complicated by yesterday's transfer of the EC presidency from Luxembourg to the Netherlands. Since the "troika" is always made up of the past, present and future president of the EC Council of Ministers, this meant that Italy had to drop out of the troika and that Portugal, president for the first half of next year, joined.

There was no doubt that the speed and persistence of EC mediation the past few days was largely due to Mr Gianni De Michelis, the Italian foreign minister. His government has long been worried about instability in neighbouring Yugoslavia. Neither the Luxembourgers, the Dutch nor the Portuguese will bring the same passionate interest to bear in resolving the crisis.

A Slovene soldier talks to two girls in Ljubljana's main square yesterday after a peace accord was reached

Dutch rule out interim EC summit

MR Ruud Lubbers, the prime minister of the Netherlands, which yesterday assumed the rotating six-month presidency of the European Community, played down the idea of holding an interim summit in October before convening the crucial Maastricht summit on economic and political union in December, writes Ronald van de Krol in The Hague.

"We must get down to work now," he said, noting that politicians might seize the prospect of an interim summit as a way to put off progress and negotiations before then. "We should not be thinking in terms of an October meeting."

Mr Lubbers told a press conference that the EC faced many obstacles in the next six months, both in fostering greater internal integration and in establishing new relations with non-EC countries. He said no time should be lost in reaching an agreement with non-EC countries grouped in the European Free Trade Association (Efta).

Mr Lubbers said he hoped a breakthrough in the Efta talks could be reached in "a month's time" rather than at the end of the Netherlands' presidency. Upholding a tradition on the first day of a new presidency, Mr Lubbers and the Dutch cabinet held talks with Mr Jacques Delors, the president of the European Commission, and other EC officials. Both Mr Lubbers and Mr Delors were at pains to emphasise that British reservations about political and monetary union were not the only problems which the Dutch presidency faced.

"We don't have a situation with the UK on one side and all the 11 on the other side" on every EC issue, Mr Delors said.

Sweden takes first step on road to EC

THE Swedish government was due last night to hand its formal application to join the European Community to Mr Ruud Lubbers, the Dutch prime minister and EC president for the next six months, writes Robert Taylor in Stockholm.

This is the first step in a long process. It seems unlikely negotiations will start until early 1993, although Sweden hopes they will then be completed within 12 months, allowing entry terms to be ratified in a national referendum to be held in September 1994.

If all goes well Sweden would then become a full EC member on January 1 1995. Finland and Norway might also seek Community membership within the next year.

Many EC observers believe, however, that the Swedish timetable for entry is unrealistically tight and that it underestimates the difficulties that could lie ahead. There is some doubt, in particular, over whether Sweden's definition of neutrality will be compatible with any common EC defence and foreign policy that could emerge by 1995.

It is also felt within the Community that Sweden is relying too heavily on cementing good relations with friendly governments to smooth its way into the EC and is not cultivating enough close personal contact inside the Commission itself.

Carlsson capitalises on opponents' disarray

Premier is turning into the leader Swedes dislike the least, writes Robert Taylor

AS Mr Ingvar Carlsson, Sweden's prime minister, travelled to the Netherlands yesterday to apply for EC membership, his political fortunes at home appeared to be picking up after nearly two years in the doldrums.

He may still not be a popular man with many Swedes, who regard him as decent but boring and weak, a figure to be pitied rather than admired. However, with less than three months to go before the next general election, on September 15, Mr Carlsson – against all odds – seems to be turning into the leader Swedes dislike the least.

His Social Democrats – after more than two years of unpopularity – are enjoying a revival as Sweden closes down for its prolonged summer holiday. In the last batch of opinion polls before the election campaign starts, the party has scored between 30.0 and 33.5 per cent of popular support.

This is still far behind the 43.7 per cent it secured at the 1988 general election, but it is a better result than that recorded earlier in the year.

Evidence of a shift towards the Social Democrats has come late in the day, and it may not be sustained over summer. But the party's capacity to win should not be underestimated.

In his memoirs Mr Denis Healey, the former British Labour party foreign secretary, recalls former British Labour leader Hugh Gaitskell inquiring in the 1950s of Mr Tage Erlander, the legendary Social Democrat prime minister, about the secret of his party's success. "Don't ask me", came the reply. "Ask the opposition parties."

Mr Erlander ran Sweden for 23 years, from 1946 to 1969, in part because his opponents were incapable of building a cohesive alternative to Social Democratic rule. In his day there were three non-socialist parties competing for power. Now as many as five will be running against one another.

Only the Moderates (Sweden's conservatives) and the Liberals have managed so far to reach agreement on a common programme. It was launched two months ago but has done nothing to boost their popularity. Between them the Moderates and Liberals have only about 31 per cent of public support, compared with more than 37 per cent a year ago.

As a leading commentator in Sweden's national conservative newspaper Svenska Dagbladet explained last weekend, the non-socialist parties suffer from "bourgeois cannibalism", the propensity to devour one another rather than Social Democrats.

There are few signs this self-destructive habit has disappeared. The Centre party, for example, is seen by the other non-socialist parties as wayward and unreliable when it comes to deal-making.

It may have only about 8 to 9 per cent of popular support these days – less than half the votes it enjoyed 20 years ago – but it is still a necessary partner in any non-socialist alliance.

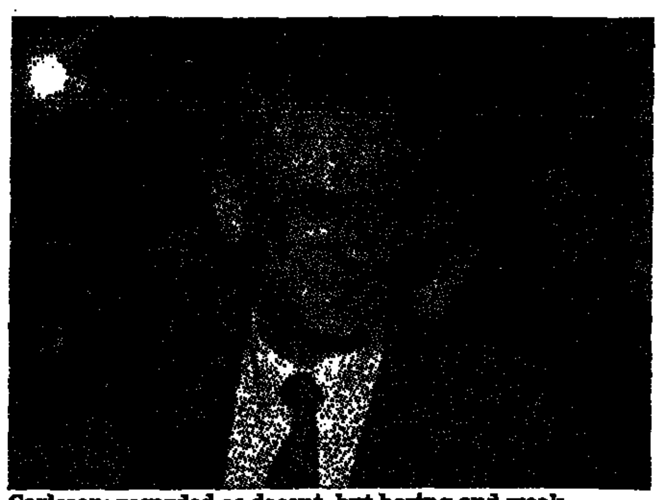
Yet last week delegates at its annual conference said the priority in government after September should be spending yet more taxpayers' money on social benefits for the needy, rather than cutting Sweden's huge tax burden as the other parties are seeking to do. The Centre often looks and sounds more left than the Social Democrats.

The Christian Democrats seem likely to gain seats in parliament for the first time after the election and may prove a more loyal ally of the main non-socialist parties than the Centre. Their staying power remains questionable, however.

The anti-tax right-wing populist New Democracy party, founded in February, also seems likely to win seats in parliament. But the other non-socialist party leaders want nothing to do with the ND, which they regard as irrelevant.

It looks increasingly clear that any non-socialist coalition will need to include not three but four parties if it hopes to have a majority in parliament. But the more parties there are, the harder it will be to achieve cohesion and decisive government.

The prospect of post-election chaos among the parties provides Mr Carlsson with his single most potent argument: that the Social Democrats are the only political party in a position to govern and take the necessary tough decisions. As the non-socialists squabble among themselves, Swedes will remember the failed years they governed between 1976 and 1982 and wonder if they would be any better next time.



Carlsson: regarded as decent, but boring and weak

But Mr Carlsson has another argument in his armoury, which he may be less willing to use; his party is better at carrying out market-oriented policies than the non-socialists.

On issue after issue since 1989, the Social Democrats – to the satisfaction of Swedish industry and the stock market – have adopted a partial neo-liberal economic programme in alliance with the Liberals. This has included tax changes favouring the better-off, the dropping of an anti-nuclear energy policy, the introduction of commercial television, deregulation of the financial system as well as agriculture, cuts in state spending, and higher priority to defeating inflation than the maintenance of full employment.

Last month the Social Democrats pegged the krona to the Ecu, accepting that Sweden's future lies inside the European Community.

Devaluation was thus dropped as an economic weapon.

Market policies pursued by the Social Democrats in recent years have won the admiration of many of the country's employers, whose ideal election outcome would be continued Social Democratic rule, with Liberal support.

Andorra ends its economic isolation

THE principality of Andorra, economically isolated for centuries, established formal links with the European Community yesterday, Reuter reports from Andorra la Vella.

In June last year, after two years of negotiations, Andorra signed its first international treaty by joining the EC customs union, the first non-Community country to do so. The accord took effect yesterday.

Andorra now applies the common external tariff and trade policy, allowing free transit of goods within the EC. Its companies can sell to the EC market without goods being treated as of third-country origin.

Andorra, co-governed for 700 years by the president of France and the bishop of the Spanish diocese of Urgell, remains a third country for farm trade. However, it enjoys duty-free transit for goods imported via EC countries.

The Pyrenean territory of 50,000 people has gradually shed the tax legislation that made it a duty-free paradise for day-trippers from France and Spain, and hopes to attract new investment and turn itself into a modern economy.

Andorra faces one of its worst financial crises in decades. With prices soaring to match those in neighbouring France and Spain, hotel costs are discouraging visitors and tourists are spending less.

Accountancy link-up cleared by Commission

By Andrew Hill in Brussels

THE EUROPEAN Commission has approved the agreement which set up BDO Binder, the international association of accountants, on the grounds that it has increased the firms' ability to compete internationally with large rivals.

Brussels was alerted to the possibility that the agreement – under which member firms can refer business to BDO Binder members in other countries – was reducing competition between the firms, thus infringing EC competition rules. However, it said yesterday that the benefits of international competitiveness outweighed the disadvantages to individual members.

Despite the spate of link-ups between accountants in the past two years, the BDO Binder network – in effect the world's seventh largest accountancy organisation – is the only one to have been examined by the Commission.

National Economic Research Associates (Nera), a London-based consultant, was commissioned by Brussels 18 months ago to produce a report on the impact of the wave of accountancy mergers on competition in the sector. Nera said yesterday it was finalising the study and expected to publish it once it had received Commission approval.

● Compagnie des Cristalleries Baccarat, the Paris-based luxury glass manufacturer, has amended several clauses in its contracts with distributors of its products to meet Brussels' objections. The Commission said Baccarat's criteria for choosing distributors were now sufficiently uniform, objective and non-discriminatory.

EC pay dispute goes on

THE change in the presidency of the European Community seems to have thrown pay negotiations between disgruntled EC employees and the member states back into limbo, writes Andrew Hill in Brussels. Foreign ministers failed to agree at the weekend on a pay package for EC civil servants, who have now held two 48-hour strikes in defence of their salaries. Although a third strike is still possible next week, unions are advocating different tactics.

Their 10-year-old wage package expired at midnight on Sunday. Unions were yesterday trying to arrange a meeting with the new six-month Netherlands presidency.

Decline in tax take forces Warsaw to cut public spending

By Christopher Bobinski in Warsaw

LOWER TAX revenue caused by a sharp fall in industrial production and delays in privatisation is forcing the Polish government to make drastic spending cuts to keep the budget deficit under control.

The Rzeczpospolita newspaper reported yesterday that revised revenues of 240,000bn zlotys (£12.8bn) were 50,000bn zlotys less than the original budget estimate, made at the start of the year.

Parliament must approve the revised budget in which the deficit has risen to 15,000bn zlotys from the 9,000bn zlotys, or 0.5 per cent of gross national product, agreed with the International Monetary Fund.

An IMF team is currently in Warsaw and the government, facing elections in October, is pressing the case for relaxation of the original targets in view of the collapse in Comecon trade and its unexpected depressive impact on the economy.

The government is having to cut investment projects as well as health and local government spending.

Budget plans for the second half of the year assume a 6.5 per cent growth in industrial output compared to the first six months and a 2 per cent monthly rise in consumer prices.

● Shares in the Zywiec brewery, the seventh of Poland's state-sector enterprises to be privatised through a public offering, were reported to be selling briskly yesterday, the first day of the offer.

Each share was priced at 100,000 zlotys. The offering includes 1m shares, or half the equity, destined for small investors and another 27 per cent for investors willing to take 2,500 shares or more.

A quarter of the shares can be bought by foreign investors, with the remainder reserved for employees and management.

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Greek lawyers in protest over business rents

By Kerin Hope in Athens

SEVERAL hundred Greek lawyers marched to parliament yesterday in protest at a law lifting rent controls on business premises.

The lawyers, many of whom pay low rents for spacious offices in fashionable Athenian apartment buildings, went on strike three weeks ago, hoping to force the government to drop the legislation.

In retaliation, the government has threatened stringent new measures to curb widespread tax evasion by lawyers and doctors. It has also announced that a lawyer's signature will not be required on contracts for the duration of the strike.

The lawyers' action has halted the Bank of Crete embezzlement hearings.

Soviet group in joint venture for Hungarian buses

By Nicholas Denton in Budapest

ATEX, a Soviet consortium, yesterday agreed to take a minority stake in Ikarus, the Hungarian bus manufacturer.

The deal demonstrates the continuing interdependence of the Soviet Union and its former allies.

ATEX, a grouping of Ikarus's Soviet customers, has agreed to pay \$50m (£30.4m) for a 30 per cent stake. The consortium has an option to take its stake to 48 per cent by participating in a \$50m equity increase. That would make the joint venture the Soviet Union's largest in eastern Europe and one of Hungary's largest. As important as the purchase price is a Soviet guarantee to buy 6,000 buses a year from Ikarus between 1991 and 1995.

Soviet involvement will allow Ikarus to maintain its leading position in the world market, said Mr Sandor Demjan, managing director of Central European Investment Company, which brokered the deal. "In bus making, Hungary can keep a special role," he said.

Mr Demjan said, in response to criticism that western bids had been neglected, that a European strategic investor would have been interested in running down Ikarus, which was too close a competitor. An order for 6,000 buses a year from the central Soviet authorities would allow annual production of about 12,000, with about 3,000 going to Soviet republics and barter partners and the remaining 3,000 to the domestic and other markets.

Nevertheless, the joint venture agreement envisages foreign technical investors participating in the development of new bus models and main parts.

The joint venture's management also hoped that a capital infusion and guaranteed Soviet orders would help to turn around the company financially by the second half of this year. Ikarus made losses in 1990 of Ft1bn (£7.9m) on turnover of Ft19.9bn, attributable to the fall in Soviet orders and high interest payments on the company's Ft4.5bn bank debt.

The Hungarian authorities had been unenthusiastic about tying Ikarus even more closely to the Soviet Union and the venture is regarded as more a marriage of convenience.

Japanese farmers marching in Tokyo yesterday in protest at the threat of foreign rice imports proposed by the US as a way of ending the deadlock in the world trade liberalisation talks. The US hopes the opening of the Japanese rice market will persuade EC countries to compromise on agricultural subsidies.

Pakistan tries to boost textile exports

PAKISTAN yesterday announced measures to help the cotton and textiles industry in an attempt to boost the country's exports, Reuter reports from Islamabad.

Mr Mohammad Naeem Khan, commerce minister, said he wanted to encourage a switch from low added-value sales of raw cotton and yarn to ready-made garments. His trade policy aimed to continue the trend of cutting red tape and encouraging exports.

Certain export industries would be allowed to import machinery and spare parts free of government duty, he said. Makers of hand-knotted carpets would get a tax holiday up to the end of 1994/95, while an existing tax break for the leather and textile industries would be extended to June 1994.

Pakistan would discourage the export of yarn to improve exports of value-added textile products and it would try to achieve the removal of textile quota restrictions imposed by the US.

"We are pursuing this objective at the Gatt [General Agreement on Tariffs and Trade] level and want quota restrictions to be removed within six to seven years."

Traders maintaining foreign currency accounts in banks would be allowed to import machinery irrespective of any ceiling, Mr Kahn said. Several new items would be allowed for import, including yachts, bicycles, trailers and semi-trailers, he added.

The government set an export target of \$7.66bn (£4.67bn) for fiscal 1991/92, compared with estimated export earnings of about \$6bn in 1990/91, Mr Khan said.

"Efforts will be made to push exports up to \$8bn during the current financial year," he said. Pakistan's imports for 1991/92 had been projected at \$7.7bn compared with \$6.98bn in 1990/91. The private sector would be allowed to export cement against quota and insurance companies would be allowed to transact business abroad.

Cotton and cotton products remained the mainstay of Pakistani exports, forming 70 per cent of the total, he said.

Since taking power last November, the conservative government of the prime minister, Mr Nawaz Sharif, has embarked on an economic reform programme. Foreign investment and exchange controls have been liberalised and many state enterprises put up for sale.

Australia wins HK boat deal

AUSTRALIAN Shipbuilding Industries has won a HK\$300m (£23.6m) order from Hong Kong for six police patrol boats, writes John Elliott in Hong Kong. ASI, which beat Vosper Thorneycroft of the UK to the contract, has received a shipbuilding subsidy for 15 per cent of the cost of the order from the Australian government.

This has led UK trade officials to raise questions about Hong Kong's policy. Vosper offered to build in Hong Kong to help develop local industry, but officials said it was not their policy to take industrial potential into account.

Norway increases its gas sales

By Karen Fossli in Oslo

FOUR MEMBERS of a European gas buyers' consortium have agreed to boost natural gas purchases from Norway by 2.5bn cubic metres (bcm) over a period of two decades from the turn of the century, the Norwegian state oil company (Statoil), said.

The purchase increases gas sales by Norway to Europe to 33 bcm a year. The four buyers – West German companies Thyssengas and Birgitta, Gasunie of the Netherlands and Belgium's Distrigaz – yesterday exercised a 30 per cent gas purchase option which is part of a contract signed by consortium members in 1986 worth \$60bn (£36.5bn).

The contract also has a 50 per cent gas purchase option which, if exercised by the consortium by July 1, 1995, could boost Norway's gas exports to the European consortium beyond 40 bcm annually.

Europe has become a prime customer for Norwegian gas, mainly because of increasing Soviet difficulties in boosting supply, Middle East instability and a trend towards more environmentally friendly replacements for oil and coal.

Norway may have difficulty in meeting demand which could reach 65 bcm if Britain, Italy and east European countries, with whom it is currently in talks, agree to buy its gas.

Italy is considering buying 4 bcm of gas annually and British Gas is looking at contracting up to 5 bcm annually, both from the mid-1990s.

In April, Britain's National Power agreed to buy 2.2 bcm of gas annually from Norway from the mid-1990s over 15 years. But Norway claims that British energy authorities are stalling on ratification of the deal until Norway agrees to give British gas access to its pipelines to Germany.

Flood of dollars puts Colombia on the defensive

Sarita Kendall in Bogotá reports on moves to curb an enemy of reform

FLOODS of dollars might be welcome elsewhere in Latin America, but they have made a mockery of Colombia's anti-inflation plans. So much so that the government recently closed down the central bank's dollar dealing counter and partially revalued the peso by allowing financial institutions to buy foreign exchange from the public at 10 per cent below the official rate.

In the first few days of exchange dealing, banks changed dollars at about 600 pesos, only 4 per cent less than the official rate.

The measure is not just a way of stemming the incoming flow, which was more than double tourism and personal income in the first five months of the year. It is also an important step towards establishing a free exchange market in Colombia as the liberalisation of the economy forges ahead.

During a transition period, 90-day exchange certificates will be issued. These can be used for payments abroad or negotiated before redemption date at a discount. Customers can also buy pesos directly at a less favourable rate. Banks, financial corporations and authorised money changers have now taken over the whole exchange business, and the central bank will guide the market rate, allowing greater flexibility.

While the policy change has been well received by bankers, exporters argue that this "revaluation" undermines their efforts to increase foreign sales at a crucial stage in the liberalisation process. In particular, the coffee growers' federation said last week that a lower exchange rate would make it difficult for Colombian coffee to compete. The annual devaluation rate had already slowed down to 21 per cent in the first part of the year, but exports continued to rise and imports stagnated. By early June, international reserves had passed \$5bn (£3bn), equivalent to about a year's worth of imports.

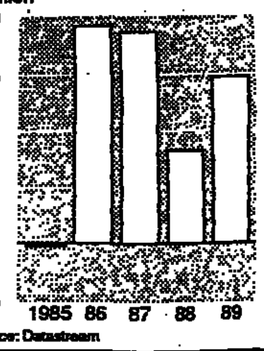
The dollar avalanche built up because of a combination of tax and monetary measures: a tax amnesty encouraged Colombians to "legalise" foreign assets, while the government's determination to reduce inflation from 32 per cent to 22 per cent by the end of 1991 led to a fierce clampdown on credit. Furthermore, slow devaluation and very high local interest rates made it extremely attractive for speculators to convert money into pesos.

Although the government opened up the foreign exchange business to commercial banks earlier this year, few banks have acted. Many domestic banks are simply not geared to dealing with foreign notes, while there is still some confusion about a 3 per cent withholding tax on funds brought in by Colombian taxpayers. Mr Rudolf Hommes, the finance minister, believes there has been a genuine reverse capital flow – the test will be whether it continues, despite last week's measures.

As to how much is due to drug income, no one is even prepared to guess, but the large proportion of cash involved suggests that contraband could be a main factor. The government denies that measures taken this year to open up foreign exchange markets have made it easier to change drug dollars. "Three years ago people would have said we were crazy," said Mr Hommes, referring to the speed at which the economy is being opened up. "I am happy because we've been able to do it without too much fuss. I am disappointed because one would have hoped for deeper changes in production, and we're not seeing that. There are a lot of invisible barriers in attitudes. It's a matter of patience."

With tariff adjustments running fairly smoothly, and more than 95 per cent of imports no longer requiring licences, the government has turned its attention to infrastructure and free trade zones. Over the next three years \$315m are to be invested in highways, ports and airports, especially access roads to the Caribbean ports. The country's main north south railway line will also be upgraded to carry coal to Santa Marta for export.

Colombia trade balance



Source: Datastream

The free trade zones are designed to attract investment to problem areas with growth possibilities: Maicao, close to the Venezuelan border in north-eastern Colombia has always been a smugglers' town, and with its new legal status could draw small-scale clothing and shoe industries. Uraba, a violent frontier zone in the north-west which already exports bananas, is a potential site for agro-industrial ventures. Advantages will include unlimited profit remittance, tax-free imports of machinery and raw materials, and cheap labour.

Apart from the oil and mining sectors, Colombia has never appealed strongly to foreign investors. With the guerrilla groups talking peace but continuing to bomb and kidnap, and a new constitution about to be launched, it is a time for "wait and see".

While the government considers that the private sector is over-protected and lacks dynamism, businessmen say official policy has been inconsistent, and credit restrictions impede modernisation.

Mr Hommes has sparred good-naturedly with the Colombian press ever since he took office and promised to reduce both the inflation rate and his own weight. He has had more success in trimming his waistline than the cost of living index, still stubbornly over 30 per cent a year. But if, as is hoped, the exchange measures stop \$600m from entering circulation, his efforts to slow inflation should bear fruit in the second half of the year.

IMF likely to approve Argentine standby loan

By John Barham in Buenos Aires

THE International Monetary Fund is expected formally to approve a $1.04bn standby loan for the country at a board meeting on July 28, Buenos Aires diplomats said yesterday.

Pressure by US officials is reported to have overcome opposition by IMF technical *staff to the loan. Argentina has* signed five standby loans since 1983, but has yet to comply with any of the loan conditions.

Although sceptical analysts say the Fund's conditions for *the year-long* programme are not strenuous, they doubt the government's ability fully to attain the targets.

Under the planned agreement the IMF will make quarterly disbursements, depending *on Argentina's compliance* with the *loan conditions.*

It will set aside $60m each quarter for future use by Argentina in debt reduction negotiations with commercial banks.

The key target is a $4.2bn budget surplus for the year to March 1992, rising to $4.9bn for *the year to June 1992, with 40* per cent coming from privatisation receipts. The government must make debt service payments out of the budget surplus.

Although Argentina has increased revenues by *40* per cent to $2.07bn a month since March, analysts still question the government's ability to keep raising tax collections to meet the budget target.

Mr Domingo Cavallo, the *economy minister, promises to reduce tax evasion, increase* value added tax rates and introduce new taxes to cover spending increases. He also promises to eliminate 35,000 civil service jobs this year at a saving of $65m.

The government forecasts 5 per cent economic growth this *year, with gross domestic prod*uct rising to $139bn in 1992. It expects a current account deficit of 2 per cent of GDP, due to a $1.8m decline in exports and a $2.4bn increase in imports caused by declining import tariffs.

Mr Cavallo says successful completion of the standby programme will make Argentina eligible for both a three-year IMF extended facility fund loan and debt reduction negotiations with *foreign creditors.*

Brazil pays creditors $866m in interest

By Victoria Griffith
in São Paulo

THE BRAZILIAN government yesterday paid $866m in back interest to foreign creditors, as the Economics Ministry said it aimed to start negotiations with *the International Monetary* Fund on July 21.

Brazil will be seeking an 18-month stand-by facility from the IMF, to be converted to a three-year extended funds facility, the ministry said.

It would not specify the amount of the proposed loan. "We will be stressing flexibility in the next round of negotiations. For instance, we want automatic adjustments to be built in to any deal to protect *us against rising interest rates* or oil prices."

The ministry said Brazil's position differed from that of Venezuela and Mexico, which *have large oil deposits.*

Yesterday's arrears payment, the first tranche of $2bn in overdue interest which Brazil has agreed to repay by the end of the year, was $20m less than previously agreed because several *creditors failed to deliver* instructions on payment, the central bank said.

The Brazilian Senate approved the payments deal two weeks ago. Prior to yesterday's payment the country owed more than $8bn in interest. Interest not paid back by 1992 will be converted into 10-year bonds.

Negotiations over principal payments with international banks should begin near *August 1.*

A positive sign for future debt payments is the rise of Brazil's foreign reserves, which have reached $9.2bn.

● The EC pledged $15m at the weekend towards the first *stage of a plan to save Brazil's* rainforests and called on leaders of the G7 nations meeting in London later this month to throw their weight behind the scheme, Reuter reports from Luxembourg.

The EC pledge *followed* an appeal by Mr Fernando Collor de Mello, Brazil's president, *for* international help in saving the Amazon's tropical forests, the world's largest, from speculators.

New York averts financial crisis

By Martin Dickson in New York

AFTER MONTHS of wrangling, New York's politicians have reached an 11th-hour agreement on a budget package which alleviates the city's immediate financial crisis. However, the compromise will *mean deep cuts in* services, and there remains a danger that the city could face further serious financial strains in the coming months.

Mayor David Dinkins and the city council had been in dispute over the best way to bridge a $3.5bn (£2.1bn) deficit in *New York's budget for* the 1992 fiscal year, which began yesterday.

The city was required by law to produce a balanced budget by the start of the year, or risk seeing its finances taken over by a state watchdog, the Financial Control Board, which took such action in the mid-1970s during the city's last budget *crisis.*

Late on Sunday night the two sides agreed to a package which will mean less onerous property tax increases than those proposed by the mayor. Most of the $1.5bn of service reductions planned by Mr Dinkins will go ahead, meaning a *significant reduction in the* quality of life in a city with severe crime, drug and infrastructural problems.

However, tinkering at the margins of the budget will mean the reversal of some of the most draconian or unpopular cuts. A proposal to close the Central Park zoo has been dropped.

Some 10,000 city workers are also being laid off, although Mr Dinkins still hopes to reach agreement with municipal labour unions on pay concessions which would allow some of these job losses to be reversed. Talks with the unions were stalled for *months*, but in the last few days there has been a flurry of activity. City officials have been studying union proposals which would involve wage deferrals and increased job attrition.

The pact was helped by agreement over the weekend on a budget for New York state – after months of wran*gling between Governor Mario* Cuomo and the legislature – which assured the city $663m in state funds.

Mr Dinkins was also able to pull a last-minute rabbit out of the hat when his budget office produced a new and *higher* estimate for 1992 tax revenues. However, the city could still face budget balancing problems if the 1992 tax revenues fail to meet these forecasts.

Tax bridges California's budget gap

Peter Riddell reports on Governor Pete Wilson's political gamble

THE NATIONAL budget crisis and consequent tax increases which so divided *President George Bush's Republican party last* October are being repeated at state level throughout the country.

Yesterday marked the start of the fiscal year for the *states.* Nine had not yet agreed budgets, *including Maine*, where non-essential state services have shut down. Unlike the federal government, most states are legally obliged to aim for a balanced budget, though with some short-term leeway in practice. With *the* recession cutting revenues, many have been struggling to devise measures to offset an overall $25bn-$40bn (£15bn-£24bn) fiscal deterioration in the past year.

The largest problems are faced by California, where Republican Governor Pete Wilson and the Democrat-controlled state legislature were yesterday seeking to finalise a package to eliminate a $14.3bn *deficit on* $56bn *in total spend*ing. This gap is being bridged by $7bn in new tax increases, the largest ever, and by the first cuts in welfare payments in the state.

The Californian fiscal crisis underlines in an acute form the problems faced elsewhere. The states account for the bulk of spending on education and welfare. Since 1981, their responsibilities have increased as Washington has reduced its financial support.

Governor Wilson: worked with Democratic legislature

California's population rose by 26 per cent during the 1980s to 29.8m. Much of the increase came from Asian and Latino immigrants who made big *demands on public services.* The prison population also rose 2½ times during the decade. A particular Californian problem has been the five-year drought, only partly eased by heavy rain this spring, which has hit the *state's* large farming sector.

In addition, various voter-approved initiatives, or referenda, limit the state's fiscal flexibility and its ability to raise taxes.

Governor Wilson has approached the deficit with a mix of tax increases and spending cuts and has worked through the Democratic leadership of the legislature.

The package has involved an increase in sales taxes, and higher taxes on alcohol and vehicle licences. There has been last-minute argument on whether *to* increase state income tax on the wealthiest individuals or to raise taxes on utilities and cable television.

On the expenditure side, payments to families with dependent children have been cut by 4.4 per cent and future increases to adjust for inflation have been eliminated.

Most controversially, Governor Wilson has sought to raise $1.6bn by withholding contributions from the vast state pension fund for public *employees*, which he says has excess earnings.

The question is how far this tackles the state's underlying fiscal problems. Unlike his predecessor, Governor Wilson has, at least tentatively, began to recast spending programmes, while removing some of the obstacles to fiscal management and raising money. In his inaugural address last January he *talked of focusing more* on the preventive than the remedial.

In political terms, Governor Wilson has, like Mr Bush last October, risked the anger of conservative Republicans, particularly those in the assembly, *or lower* house, most of whom have voted against his budget. His immediate political calculation was that, since the support of the majority Democrats was essential to pass the budget, any package would have to involve *higher* taxes. In the longer term, if the budget succeeds in restoring California to fiscal health and the state's economy recovers, Governor Wilson will be in a strong position to run for president in *1996.*

Many other governors are watching Pete Wilson to see whether it is possible to impose new taxes and spending cuts and to survive politically.

Peruvian currency loses its zeros

By Sally Bowen in Lima

PERUVIANS no longer have to pay half a million intis for a small cup of coffee – for accounting, banking and pricing purposes the inti ceased to be Peru's official currency yesterday.

Six noughts have been knocked off the inti *to* convert it into the new currency, the sol – a measure of the inti's devaluation over the past six years. One new sol is the equivalent of 1m intis – or *about $1.20 at the current* exchange rate.

The new currency will not appear on the streets until September, and the old notes are expected to remain in circula*tion for some time. Cheques* will be written in intis until the end of the year.

Ten and 20 sol notes are being printed by Thomas de la Rue's factory in Malta, while the Italian state-owned print*ing house Istituto Poligrafico E* Zeca is producing the 50 and 100 sol notes.

The armed forces will play a big role in the campaign being launched *by* to explain the changes to inhabitants of the *isolated towns and villages of* the Peruvian Andes and jungle. Explanatory leaflets in several Indian dialects, principally Quechua and Aymara, have been prepared.

Closure list drawn up for US bases

A SPECIAL commission has *voted to close US military* bases from Massachusetts to California in an effort by the Defence Department to save $1.7bn a year, Reuter reports from Washington.

President George Bush is *expected to approve the com*mission's decisions on whether 69 military bases should be closed and 38 others reduced.

The seven-member commission is having to decide which installations to close, which *often means economic hard*ships for the communities that surround them, because Congress could not agree on what to cut.

The commission recommended closing Fort Ord and the *Long Beach naval station* in California; the naval shipyard and naval station in Philadelphia; Fort Devens in Massachusetts, Fort Benjamin Harrison in Indiana and the naval air station at Chase Field in Texas.

They recommended sparing Fort McClellan in Alabama, the country's only chemical warfare training school, and the Whidbey Island naval air station in Washington state.

Salinas courts Germans

MEXICO'S President Carlos Salinas de Gortari met German leaders yesterday hoping to win more investment, Reuter reports from Bonn. But President Richard von Weizsäcker and Chancellor Helmut Kohl were also keen to persuade him to stimulate Mexican investment in east Germany.

Mr Salinas, who has spent three days in Germany, is also visiting Czechoslovakia, the Soviet Union and Italy during an 11-day European trip to drum up business interest in Mexico.

Germany is already the second biggest foreign investor in Mexico, after the US.

Strikes fall sharply in South Korea

By John Ridding in Seoul

SOUTH Korea enjoyed a marked fall in the number of industrial disputes in the first half of this year and should continue to see relatively peaceful collective bargaining in the second half, according to the Ministry of Labour.

Ministry statistics show that there were only 181 industrial disputes in the first six months, a 27 per cent fall over the same period last year and a substantial improvement over 1987-89, which saw severe economic dislocation as a result of more than 1,000 strikes each year.

The ministry said the fall in the number of disputes reflected the increased experience in the wage bargaining process on the part of both management and labour.

"After the introduction of democracy in 1987, the belief was that whoever used force first would win," an official said. "But both sides have now learned that they have a lot to lose from conflict."

The reduced number of strikes also reflects a tough line by the government. A number of union leaders have been arrested so far this year, including union representatives from Daewoo Motors and Daewoo Heavy Industries, large companies which are traditionally prone to strikes.

Although the second half of the year is traditionally more peaceful, a number of trouble spots remain. About half of Korea's companies, including Hyundai Heavy Industries and Daewoo Shipbuilding, the country's two largest shipyards, have still to conclude wage negotiations.

But most economists are optimistic about prospects for industrial relations for the rest of the year. They cite the decline in the number of illegal strikes – stoppages in which unions fail to observe a "cooling-off" period, where violence is used, and where the issues are other than labour-management. There seems to be little popular support for violent or protracted strikes.

During the first half of this year, 958,000 days were lost as a result of strikes and the value of lost production was Won540bn ($745m). For the whole of last year, the number of lost days was 1.836m, and the value of lost production was Won1,440bn. In 1989, the value of lost production was Won4,200bn.

The level of wage increases in the first half of this year averaged just under 10 per cent compared with about 8.8 per cent for the first six months of last year. In both cases, however, the value of overall pay awards was higher as a result of bonuses and allowances.

Iraqis have 'nothing to hide' on N-arms

THE Iraqi minister in charge of military industries said yesterday his country had nothing to hide, but United Nations troubleshooters said they had made no progress in gaining access to equipment which could make nuclear weapons, Reuter reports from Baghdad.

General Amer Hammoudi al-Saadi, the minister of industry and military industrialisation, said: "We just want to come clean. We want everyone to know that we have nothing to hide."

He recalled that President Saddam Hussein had given strict orders that UN inspectors be free to see whatever they wanted. "I know the order," he said. "It was 'Show them everything they want, real or imagined'."

But one of three senior UN officials sent to Baghdad with an ultimatum from the Security Council said UN inspectors were no closer to investigating a convoy they say is carrying equipment for making weapons-grade enriched uranium.

"We have not solved any question yet of any significance. That's all I can say," said Mr Rolf Ekeus, head of the UN Special Commission set up under the terms of the Gulf War ceasefire to scrap Iraq's weapons of mass destruction.

Algerian crackdown

THE Algerian army intensified its crackdown on Islamic fundamentalists yesterday, announcing 700 arrests and occupying the headquarters of the main opposition party, whose two top leaders face trial for armed conspiracy, AP reports from Algiers.

The moves followed renewed clashes between fundamentalists and security forces. The army said four people, including a policeman, had been killed and 15 injured. Fundamentalists said as many as 2,500 people had been arrested.

Mr Abassi Madani, president of the Islamic Salvation Front (FIS), and Mr Ali Belhadj, vice-president, were among those arrested on Sunday. They had issued a call on Friday for a *jihad*, or Islamic holy war, if the government did not lift a state of emergency.

They were to be charged with "armed conspiracy against the security of the state", the military said.

Japan feels economic 'bubble' has lost enough air

Interest rate cut is another sign Tokyo thinks era of financial excess has ended, Robert Thomson writes

THE CUT in Japan's official interest rates announced yesterday is another sign of government confidence that an era of financial excess has ended and that sufficient air has been removed from a once-dangerously bloated economic "bubble".

Last week's resignations in the securities industry, the softening of the property market, and the shake-out of stock speculator groups are all cited as evidence by Japanese officials that the danger of financial collapse has passed.

The Bank of Japan had lifted the official discount rate (ODR) five times from May 1989 until August last year in an attempt to ease inflationary and speculative pressures on an overheated economy.

The ODR rose from 2.5 per cent to 6 per cent, and yesterday's 0.5 per cent cut was the first decrease since February 1987.

Officials at the central bank have been under domestic political pressure to cut interest rates. Leading members of the ruling Liberal Democratic Party (LDP) had been pressed by influential lobby groups, such as the construction industry, which have found that business has turned sour.

But, until yesterday, the central bank had maintained that more air needed to be released from the speculative "bubble" - the Japanese use the English word - and that underlying inflationary pressures could also be stimulated by an interest rate cut.

Japanese government officials and, in particular, Mr Ryutaro Hashimoto, the finance minister, have been determined not to be seen in Tokyo as falling into financial line behind Washington. But it was generally accepted yesterday that international pressures were influential in determining the general timing of the cut.

It is believed that Mr Hashimoto and Mr Yasushi Mieno, the central bank governor, agreed after a Group of Seven finance officials' meeting late last month that a rate cut would be necessary in the period around the G7 summit, scheduled to open in London on July 15.

With that decision already taken in principle, the two officials decided over the weekend that an announcement should be made yesterday to stop the rot in a stock market that lost 4.1 per cent of its value last week and was nearing 23,000 on the Nikkei average.

Below that figure, Japanese banks begin to have problems with their capital adequacy ratios, and many other companies, industrial and financial, reliant on stock trading as a source of funds, begin to feel pain.

Mr Kenneth Courtis, strategist at DB Capital Markets, said that the "dynamics of the downside" prompted yesterday's announcement.

"Once the market falls below that level, a whole new series of factors come into play and they decided not to let that happen."

The ODR is more important as an indicator of official policy that as a direct determinant of market interest rates. But, as yesterday's 3.5 per cent jump in the Nikkei average showed, a cut in the ODR does influence sentiment.

The long-term impact on the Japanese economy is more difficult to reckon. Economic growth is still on target to match, in August, the post-war record of 57 months of expansion known as the Izanagi boom, which stretched from 1965 until 1970.

Tight monetary control by the central bank has led to a sharp fall in money supply in recent months, with year-on-year growth in May a meagre 3.5 per cent, and has put extreme pressure on stock and land speculator groups, which have been forced to limit their excursions into the market in the past year.

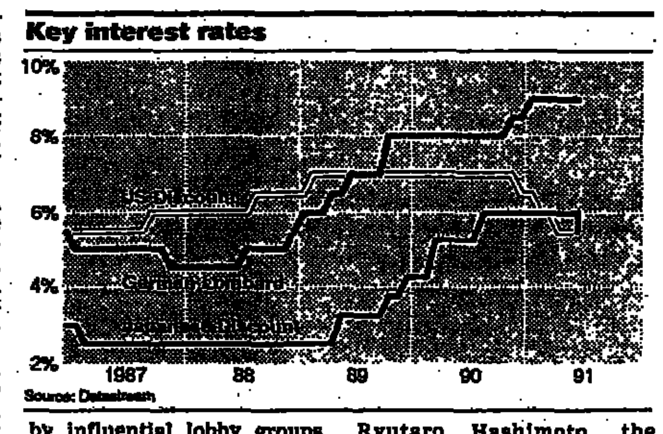
Mr Mieno had feared that an ODR cut could encourage these groups to return to the stock market and that land prices, which has slumped in recent months, could rise again.

But officials at the central bank now say that lending discipline has improved at Japanese banks, while the government is hopeful that last week's resignations of presidents at two leading brokerages, Nomura Securities and Nikko Securities, will impose a certain discipline on the securities industry.

The recent weakness of the yen was another reason not to lower the ODR but, conveniently, the currency picked up in strength last week, and the immediate reaction on the Tokyo market yesterday was a firming against the dollar.

Central bank officials are still concerned about inflationary pressures, particularly those linked to Japan's labour shortage, but the consumer price index rise in Tokyo last month was a moderate 3.5 per cent higher than June last year, and not large enough to delay yesterday's decision.

The Japanese government is hoping that a rekindling of domestic demand will soak up some of the products now being exported by Japanese companies, as the trade surplus has risen sharply in recent months and could be followed by an increase in trade friction later in the year.



China 'will hold to class war'

By Yvonne Preston in Beijing

CHINA will never adopt a western-style multi-party system or practise parliamentary democracy, Jiang Zemin, general secretary, said in a hardline speech marking the 70th anniversary of the country's Communist party yesterday.

Class struggle would continue to exist for a long time, he added, warning of hostile foreign forces trying to subvert socialism. The warning was repeated in yesterday's People's Daily, which urged the party to build a great wall of iron and steel to hold back hostile powers at home and abroad fostering "peaceful evolution" (to capitalism).

Jiang was addressing a meeting in the Great Hall of the People called to celebrate the founding of the party on July 1 1921. "Some serious setbacks" had been suffered by the international socialist cause (in eastern Europe) but Jiang dismissed them as "temporary difficulties".

A protegé of paramount leader Deng Xiaoping, Jiang is seen as being on the party's reformist wing, but his speech made no concessions to political or social reform or further liberalising of the economy.

Any proposal to institute a western-style multi-party system would be "a proposal to eliminate Communist party leadership and the status of the party as a ruling party," he declared. Public ownership must remain the main form of ownership, with priority given to consolidating and expanding the socialist economy. The development of self-employed and foreign joint ventures must be supplementary to socialist public ownership.

Lopo de Nascimento (left), Angolan government chief negotiator, exchanges views with Jonas Savimbi, head of the former rebel Unita movement, at its headquarters in the bush town of Jamba. Mr Nascimento was the first government official to visit Jamba.

Pakistan boosts war on crime

By Farhan Bokhari in Islamabad

PAKISTAN'S government yesterday intensified its law-and-order campaign, setting up crime vigilance committees across the country and moving to re-arrest people who had been charged with being involved in terrorist activities in the past but released without conviction.

The moves followed a five-hour emergency cabinet meeting in Islamabad chaired by Mr Nawaz Sharif, the prime minister, who postponed a trip to Japan.

Police and intelligence services were directed to monitor the national borders. People were asked to deposit illegal arms with officials.

The wave of crimes has also endangered the country's stability and investment climate, officials and businessmen have said in recent days.

Mr Shehbaz Sharif, the prime minister's brother and close confidant, who also serves as an MP, said: "The government was very clear that no meaningful investment will take place here unless the law-and-order situation is resolved."

Officials have said in recent days that the government was very concerned that initiatives for privatisation could receive a setback as new investors would be reluctant to invest in Pakistan.

NZ minister told to toe line

New Zealand Prime Minister Jim Bolger, struggling to quell unrest in his conservative National party, told his ambitious Maori affairs minister yesterday to toe the line or get out, Reuter reports from Auckland.

Mr Bolger avoided explicitly calling on Mr Winston Peters, the Maori affairs minister and an open critic of government economic policy, to resign. But political analysts said his message was clear.

Mr Peters, who makes little secret of his ambition to become New Zealand's first Maori prime minister, has built growing public support with increasingly strong attacks on Mr Bolger's tough economic policies.

Rao government likely to seek more foreign investment

India moves to ease industrial controls

By KK Sharma in New Delhi

MR PV Narasimha Rao, India's prime minister, yesterday asked senior officials in the Industry Ministry to start studies aimed at the removal of unnecessary industrial controls and regulations.

Mr Rao, who retains charge of the ministry, has not indicated when the new policy would be announced but it is expected this will be done soon after the government's first budget is presented to parliament on July 24.

The budget is expected to contain signals to the International Monetary Fund, from which India is seeking a loan of $5bn to $7bn to enable it to get through its current balance of payments crisis, on reforms to be initiated to make the economy more vigorous and competitive.

The industrial policy is also to be part of the government's effort to show the IMF that it is serious about removing controls on investment by both Indian and foreign companies. Soon after the new government took office last month, both Mr Rao and Dr Manmohan Singh, the minister of finance, pledged that unnecessary controls in the economy would be removed.

A main part of the new policy is expected to contain changes aimed at attracting foreign companies to invest in India, thereby substantially liberalising a restrictive foreign investment policy that has been in force since 1972.

Dr Singh has promised that the Foreign Exchange Regulation Act (Fera) of 1972, which limits equity holdings by foreign companies to 40 per cent, would be reviewed to overcome hurdles in the way of foreign investment.

The new industrial policy is also expected to spell out the government's attitude towards privatisation of India's public-sector enterprises, many of which are heavy loss-makers.

The recent election manifesto of Mr Rao's ruling Congress party had given a commitment to "oversee the gradual withdrawal" of the public sector from areas where the private sector has developed capabilities.

The Indian rupee was yesterday devalued by 10.04 per cent against the US dollar and 9.02 per cent against sterling, report KK Sharma in New Delhi and RC Murthy in Bombay.

The move by the Reserve Bank of India, the central bank, is thought to be part of adjustments being made to introduce realistic foreign exchange rates. The changes are part of efforts being made to secure a loan of $5bn to $7bn from the International Monetary Fund to meet the current balance of payments crisis.

After yesterday's devaluation, £1 fetched Rs37.37 and $1 Rs23.01. A further depreciation of the local currency is expected, possibly before the government's budget is presented to parliament on July 24.

The monetary authorities have allowed the rupee to depreciate slowly over the last few years, through a daily fix against a weighted basket of currencies. The rupee has declined by more than 50 per cent over the last three years.

Bankers in Bombay said the devaluation would help eliminate export subsidies for which last year's budget provided Rs98bn. The IMF has asked the government to reduce the fiscal deficit from 8.5 per cent of the gross domestic product to 6.5 per cent and this is expected to be reflected in the coming budget.

Protest over journalist's deportation

By Michael Holman, Africa Editor

MR George Dove-Edwin, the Nigerian high commissioner in London, was yesterday due to see a senior Foreign Office official to explain the arrest and deportation at the weekend of Mr William Keeling, the Financial Times correspondent in Lagos.

He was expected to meet Mr Patrick Fairweather, deputy under-secretary at the Foreign Office responsible for Africa and the Middle East.

Diplomats from the British High Commission in Lagos were also planning to raise Mr Keeling's case at a meeting scheduled to take place yesterday with Nigerian government officials.

Nigerian state-run television said on Sunday that Mr Keeling had been expelled and declared *persona non grata* after writing a "string of unsavoury reports" about the Nigerian government. It described an article published last Thursday as "a deliberate attempt to mislead the public, including Nigeria's development partners".

The FT has stressed the accuracy of Mr Keeling's coverage and protested to the Nigerian authorities, calling on them to revoke the deportation order.

ANC treads warily to avoid battle over who holds the tiller

A potentially damaging clash between candidates representing the organisation's extremes is being kept on ice, Patti Waldmeir writes

THE African National Congress is having trouble keeping up with the new South Africa. Seventeen months after the country's premier liberation movement was legalised by Pretoria, its organisation remains poor, its membership low, its list of strategic triumphs short. Indeed, the ANC still has difficulty thinking beyond apartheid. It remains a protest movement, not a government-in-waiting; for the moment, it is simply unprepared for power.

As 2,000-odd ANC delegates assemble in Durban for today's national conference, the first to be held inside South Africa for 33 years, their main task is to elect leaders capable of pulling the movement out of crisis.

Many of the less dynamic leaders – their energy sapped by 30 years in exile – are expected to be replaced by tougher young men and women who learned the art of bargaining in the union and community disputes of the 1980s. The ANC should emerge with a sharper team to field against Pretoria, which has cleverly kept one strategic step ahead since negotiations began a year ago.

Perhaps as important, the five-day conference will allow the disgruntled rank and file, the youths and trade unionists, to vent their anger against current ANC policy. Criticism from the townships and shop floors is bitter: ANC leaders have compromised too easily, for too few returns; they abandoned their followers in the face of township violence; crucially, they have betrayed the ANC's democratic principles by acting autocratically.

But there is little sign so far that hardline delegates plan either a revolt or a coup. Regional nominations for the top five posts – president, deputy president, secretary-general, deputy secretary-general and treasurer – suggest a fairly moderate top leadership, with the skills and the commitment to negotiate.

Mr Nelson Mandela, aged 72, seems certain to see his *de facto* leadership formalised in the post of president (he will replace Mr Oliver Tambo, incapacitated by a stroke).

Five days of debate could still influence the vote, which takes place only on the final day. But at the moment, it seems likely that Mr Walter Sisulu, 79, will be deputy president. The respected Mr Sisulu is a compromise candidate, nominated to avoid a potentially damaging battle between candidates who represent the extremes of the ANC political spectrum: Mr Thabo Mbeki, 49, international affairs director, urbane, westernised, and ultra-pragmatic; and Mr Chris Hani, also 49, chief of staff of Umkhonto we Sizwe, the ANC military wing, a committed communist and hardliner.

That battle will be fought one day, but for the sake of preserving the ANC's fragile coalition, it is best avoided now.

The most influential new face is likely to be that of secretary-general. The serving official, Mr Alfred Nzo, is viewed as ineffectual, and stands little chance of re-election. Leading contender for the post is Mr Cyril Ramaphosa, 38, general secretary of the National Union of Mineworkers, arguably the country's most able black politician aside from Mr Mandela himself. Indeed, Mr Ramaphosa bears an uncanny resemblance to the ANC leader: he has the same powerful inner calm, the same polite dignity. White company chairmen and corporate negotiators have the highest praise for his bargaining skill.

Former United Democratic Front leader Mr Popo Molefe could also stand, as well as Mr Jacob Zuma, one of the ANC's few prominent Zulu leaders. Significantly, Mrs Winnie Mandela, recently convicted of kidnap and being an accessory to assault, failed to gain nomination from her home ANC region, though she could still take a minor leadership position because of a requirement that 15 women be elected.

Overall, most of the current 35-member ANC national executive are likely to be replaced. The conference will elect 55 members of a new 90-member executive which will meet only infrequently; real power will lie with a new 25-member "working committee".

But if the people are likely to change, policy will remain largely unaltered. For ANC leaders concede that they – like the ruling National Party – have no alternative but to negotiate.

Conference will debate the strategy and tactics of liberation: but here, too, there is little room for manoeuvre. The ANC cannot easily return to its armed struggle; mass protest will remain a feeble weapon until the ANC can boost crowd numbers, which have recently been embarrassingly small; and to the fury of ANC leaders, international sanctions are disappearing.

The larger task of transforming the ANC into a political party – let alone a government-in-waiting – is likely to be left for another day. Largely because of the violence – which the ANC blames on the National Party – the ANC remains stuck in the mentality of struggle.

Only slowly is it drawing up policies for a post-apartheid future: one ANC leader illustrated this when he said he hoped conference would not get "bogged down" with debates over future economic, health and education policy.

So for the moment, the ANC will remain a broad-based liberation coalition. "The ANC is not just fighting a narrow election battle," says Mr Mohammed Valli Moosa, a senior ANC leader. "Its task is to lead the country to democracy, to build a nation and not just to grab power."

The best ANC leaders believe that their mission is this: to resist petty party politicking; to ensure national reconciliation, even though this will inevitably mean sharing power which they might otherwise dominate by force of numbers.

"We must act in the interest of all South Africans," says Mrs Lyndall Shope-Mafole, deputy chairperson of the ANC Youth League, the most powerful and radical bloc at the conference. "We must make sure that the constitution which comes out of negotiations defends the rights of [ultra-right leader] Eugene Terre-blanche as well as my rights."

South Africa's best hope lies in ensuring that the magnanimous instincts of the ANC are strengthened, and that it survives to pursue this noble *ambition*.

ECONOMIC AND POLITICAL UNION IN EUROPE

Final decision likely to come after next election

BY Philip Stephens, Political Editor

A FINAL decision on whether Britain participates in the European Community's drive towards economic and political union is likely to be postponed until after the general election.

Mr John Major, the prime minister, yesterday underlined his expectation that the government would sign an agreement on closer integration at the Maastricht summit in December.

In a report to MPs on last week's Luxembourg gathering, however, he said that ratification by parliament of any changes to the Treaty of Rome would be delayed for several months. With an election due at the latest by mid-1992 and not expected until the spring of next year, such a delay would leave ratification of the treaties - for which Britain is allowed a full year - to a new parliament.

Mr Major could then put any deal signed at Maastricht in the Conservative party election manifesto, intensifying pressure on Tory opponents of more integration to support him.

Senior ministers said such a strategy would minimise the size of any Tory revolt when the proposed changes to the Treaty of Rome were first presented to the House of Commons in January.

Mr Major won applause for Tory MPs yesterday for his positive approach in Luxembourg, with the most vocal opponents of economic and political union choosing not to speak during his statement. He emphasised that there was much in the present draft treaty that he could not accept, but indicated repeatedly that he saw room for compromises.

His upbeat tone on the benefits of closer ties with Europe contrasted starkly, however, with a speech yesterday by Mrs Margaret Thatcher, his predecessor. Presenting awards offered by the free-market pressure group Aims of Industry, Mrs Thatcher spoke of the need to preserve the traditions and authority of the British parliament. Although she announced last week that she would stand down as an MP, Mrs Thatcher again made it clear that she intends to continues to speak out on issues such as Europe.

During the exchanges in the House of Commons Mr Major emphasised that "at the end of the day" it would be for him and Mr Douglas Hurd, the foreign secretary, to make the decisions at Maastricht.

"It is he and I who will have to come back and place them before this House and defend them".

In a significant welcome for the change of style which the prime minister had brought to EC negotiations Sir Peter Blaker, a Conservative MP, noted that he had succeeded in closing the door on a federal union "gently".

Mr Neil Kinnock, the opposition Labour leader, argued that no national government or parliament would ever accept the "imposition" of a single currency, and asked why the government continued to give the impression that "the menace of imposition exists when it clearly does not".

UK military cuts to go deeper than expected

By David White
Defence Correspondent

REDUCTIONS IN Britain's armed forces are expected to involve about 10,000 more jobs than the government announced a year ago.

As MPs debated army plans in the House of Commons yesterday, it emerged that the Ministry of Defence (MoD) now aims to cut forces' manpower by 21 per cent overall, out of a total of just over 300,000.

This compares with the 18 per cent reduction forecast when Mr Tom King, the defence secretary, outlined the scope of the government's Options for Change defence review in July last year. A similar reduction was foreseen among the MoD's 140,000 government officials servants.

Although officials say the additional reductions reflect a reassessment of troop numbers required in Germany, service chiefs see them as the result of budget pressures. The cuts are due to be made over three years.

Last month, the MoD already announced a reduced target for the army of 116,000, compared with an initial figure of 120,000. The army is taking the biggest cut, about 25 per cent.

Planned totals for the RAF and for the Navy and Royal Marines are now also expected to be set below the levels announced last year of 75,000 and 60,000 respectively.

Plans for the armed forces over the next decade will become clearer when the annual defence policy document is published next week. The most controversial cuts affecting army regiments will be announced later in July.

Although the policy document will contain a full report on the Gulf conflict, it is understood that none of the planned reductions has been significantly revised in the light of the campaign.

The £8bn a year equipment budget is due to drop in real terms, but not nearly as sharply as manpower numbers.

Defence budget figures have been thrown into some confusion by Gulf war costs. The cash limit for the current financial year has been raised by £1.15bn to £24.03bn, but the increase will be offset by financial contributions from Britain's allies.

Defence secretary Tom King pictured with troops in Iraq in May: he has agreed cuts

Controversy as credit insurer sold to Dutch

By Richard Lapper
and Alison Smith

NEWS that the government is to sell the short term trade credit insurer ISG to the Dutch company, NCM, provoked controversy yesterday.

The announcement made by Mr Peter Lilley, the trade secretary, yesterday afternoon follows on from criticism that the government is selling short the interests of British exporters.

Completion of the deal is dependent on the passage of the Export and Investment Guarantees Bill which comes up for debate in the House of Lords a week today.

Last month, peers expressed concern about the prospect of a foreign buyer for the Insurance Services Group, and questioned how such a company could have the interests of British exporters at heart.

Mr John Hollows, deputy chairman of the British Exporters Association, described the choice of NCM as "excellent."

He added though that the selection "reinforced the argument that the government needs to give further reassurance" to exporters about political risk reinsurance.

NCM runs a Dutch government scheme providing political risk insurance for Dutch exporters. The government is keen to see the establishment of a private market political risk insurance facility but has said it will top up that reinsurance where the need arises.

Mr Lilley said yesterday that the government would continue to provide support for business through reinsurance arrangements "subject to satisfactory financial performance, for as long as the government considers it essential to meet the reasonable needs of exporters".

Six companies originally expressed interest in buying ISG when an invitation to tender was issued at the end of March. Only two, NCM, currently the fourth biggest trade insurer in the world, and Generali, the giant Italian general insurer, eventually submitted bids.

Background, Page 20

Nissan UK enjoys '50% sales margin'

By John Griffiths

NISSAN UK, the car importer/distributor controlled by Mr Octav Botnar, currently enjoys gross sales margins "of nearly 50 per cent" on the cars it receives from the Japanese vehicle maker, according to documents filed with the Japan Commercial Arbitration Association.

The claim is made by Nissan Motor, Japan's second largest car maker, as part of its petition seeking the arbitrators' endorsement of its decision to cut all ties with Nissan UK (NUK) from the end of this year and set up its own UK distribution network.

The confidential petition maintains "there is no doubt that the main reason for the higher retail prices of [Nissan] automobiles in the United Kingdom is due to NUK's taking of an abnormally large middle margin".

The car maker's allegation was dismissed as "utter rubbish" yesterday by NUK, which said its current gross margins varied between 30 and 35 per cent, depending on vehicle, from which large deductions had to be made.

After deduction of all overheads, "there is a net profit for Nissan UK of only about £120 per vehicle", a spokesman for the British concern said.

The claim about excessively high margins is one of a number of complaints against NUK detailed in the 29-page petition, which puts into sharp focus the deep hostility present between Nissan Motor and the privately-owned company which has imported and distributed its cars in the UK for more than 20 years.

The UK Court of Appeal will on July 23 hear NUK's appeal against a recent High Court ruling that the dispute must be referred to arbitration in Japan, and its refusal to grant NUK an interim injunction preventing Nissan Motor from cutting its ties with NUK.

Nissan Motor yesterday refused comment on the contents of the petition or claims it may have played a role in triggering last week's Inland Revenue raid on NUK.

It is understood that the Revenue is inquiring into six particular areas of NUK's business, including arrangements for shipping vehicles between Japan and the UK, how stock appreciation tax relief was managed during the period up to 1984 that such relief was available, and the personal taxation of directors.

In its petition, Nissan Motor also alleges that NUK "became involved in vessel chartering for transportation of automobiles in order to create a structure whereby NUK could transfer money equivalent to the excess charged for transportation charges to bank accounts in a tax haven".

NUK acknowledged its indirect involvement in chartering, but insisted last night that it merely paid a shipping agent to charter vessels from Nissan Car Carriers, Nissan's own shipping subsidiary. The agent was the same as used by Nissan Motor Company and Nissan Motor Manufacturing (UK), the car maker's UK manufacturing subsidiary at Sunderland, said the NUK spokesman: "Quite where that leaves room for excess charges we fail to see."

In referring to a 1986 agreement concerning the sale of UK-produced Nissans through NUK and its dealers, the petition refers to a "strong request" by NUK for a "sale or return" agreement on the British-built vehicles, "so that NUK could defer payment for value added taxes". However, the agreement was last night described by NUK as "normal" for the industry.

Family doctors say health service not safe with Tory government

By Alan Pike Social Affairs Correspondent

THE GOVERNMENT faces an increased risk that its health service reforms may continue to dominate the approach to the general election after bitter opposition to the changes at the British Medical Association (BMA) conference yesterday.

Delegates adopted a resolution declaring that the National Health Service is "not safe in the hands of the present administration" – taking the politically neutral BMA, the association of family doctors, as close as it could come to a political statement against the Conservative government.

Dr Jeremy Lee-Potter, BMA council chairman, and his supporters are pursuing a strategy of trying to gain changes in the reforms through talks with the government. They were left in no doubt yesterday that if that approach backfired it would provoke division and resignations from the BMA.

Dr Lee-Potter opened a debate – in which the government's reforms were repeatedly criticised – by saying that the association had a responsibility to understand government perspectives.

Other members of the BMA leadership, however, were far more critical of the government. Dr Simon Fradd, a member of the council, said: "There is only one message that can go out from the BMA at this time and it is not a message of reconciliation. We shall fight for the health of the nation. If this government does not listen it will not be re-elected."

Delegates adopted the resolution in spite of a warning by Dr John Happel, a council member, that it would be "misunderstood and perhaps deliberately misunderstood". The conference condemned the "continued underfunding" of the NHS, reaffirmed opposition to the reforms and resolved to increase the BMA's criticism of them.

After the debate Dr Lee-Potter and Dr Ian Field, BMA secretary, emphasised that they remained opposed to the reforms, but defended the policy of talking to Mr William Waldegrave, the health minister. Dr Lee-Potter said he wanted to be "inside the room, talking, rather than outside the room, shouting".

Mr John Major, the prime minister, is due to meet the BMA soon and Dr Lee-Potter said that the doctors would be telling the government it must "come up with the goods" and provide more money for the NHS.

New Zealand exchange loses appeal

By Raymond Hughes, Law Courts Correspondent

THE NEW ZEALAND Stock Exchange and the National Bank of New Zealand have lost an appeal against a requirement to disclose customer details to the tax authorities.

They put their challenge to Britain's Privy Council – the highest court for cases involving Commonwealth countries – that the Inland Revenue's right to require information other than that which concerned a named individual whose tax affairs were under investigation.

Lord Templeman said yesterday the Revenue wanted some members of the exchange to list their largest clients with details of their share purchases and sales. The National Bank and some other banks were also required to supply names and details of customers' dealings in commercial bills.

The exchange and the National Bank argued that the 1976 Inland Revenue Act implied there was a limitation on the revenue's power to require information, because the information sought was confidential.

Lord Templeman said the whole rationale of taxation would break down if the Revenue had no power to obtain confidential information about taxpayers.

The court decided the Revenue office was not exceeding or abusing its powers in requiring information concerning a class of unidentified possible taxpayers.

Virgin, American and All-Nippon begin services from Heathrow

Airlines launch battle for share of London market

By Paul Betts, Aerospace Correspondent

THE battle for market share at London's Heathrow airport yesterday began in earnest with the characteristically colourful launch of Virgin Atlantic's first Heathrow services and the debut at Europe's busiest hub of American Airlines and All Nippon Airways, two of the biggest carriers.

Mr Richard Branson, the Virgin chairman, symbolically claimed possession of Heathrow, the home base of British Airways, by planting plackards proclaiming the airport had become "Virgin Territory".

"Today is the second most exciting day in the history of Virgin: the first was when we launched the airline in 1984," said Mr Branson, who has been called a pirate by Lord King, the BA chairman, after persuading the Civil Aviation Authority to grant him some of BA's take-off and landing rights at Tokyo airport earlier this year.

The arrival of Virgin and other international carriers at Heathrow is expected to intensify sharply competition for BA at its home base.

BA, the dominant Heathrow carrier, has responded by unveiling a new £10m package of measures to enhance its services across the North Atlantic.

The measures include new lounge and lounge check-in facilities in the US, new catering services in Business class, more Heathrow ground staff to speed passenger service and aircraft departures, and a fast security and immigration clearance line for Concorde, First Class and Business class passengers at Terminal 4.

"We intend to maintain our market share and competitive edge on the North Atlantic," said Mr Liam Strong, BA's director of marketing and operations.

BA has also launched a frequent flier programme called Latitudes to match similar programmes offered by its US competitors.

All the carriers involved in the latest North Atlantic dog fight are currently offering double or triple mileage on their frequent flier loyalty schemes to lure passengers, especially in the higher yielding First and Business class cabins.

But BA said these inducements reflected not only stepped up competition at Heathrow but were also part of a general effort to boost passenger volumes after the air travel slump caused by the recession in Britain and the Gulf crisis.

The new competition facing BA follows the UK government's decision this year to abolish the old regulations limiting the number of carriers at Heathrow.

This has enabled several carriers forced until now to fly to Gatwick, London's second airport, to switch some of their services to Heathrow.

The negotiation of a new bilateral aviation agreement between the UK and the US this year has also cleared the way for American Airlines and United Airlines, two of the strongest US carriers, to replace TWA and Pan American, two of the weakest, at Heathrow.

BA is expected to face the biggest challenge on the North Atlantic from these two giant carriers.

American expects to fly a total of 105 weekly flights from the UK to the US by the end of this month including 63 from Heathrow. United has already launched its Heathrow services with 54 weekly flights to the US.

BA currently operates about 150 weekly flights from the UK to the US from Heathrow, Gatwick and Manchester in the north west. The North Atlantic accounted for £1.6bn of BA's £4.8bn revenues last year.

Cathay Pacific, the Hong-Kong based airline, has already transferred some of its Gatwick services to Heathrow.

BA is now expected to face tougher competition on Asia-Pacific routes with the arrival yesterday at Heathrow of All Nippon Airways, the largest Japanese carrier, and the start up of Virgin's Heathrow service to Tokyo.

Green legislation 'to cost business £15bn'

By John Hunt, Environment Correspondent

THE bulk of European Community environmental legislation now in the pipeline is likely to cost British business more than £15bn annually when it is all implemented over the next few years, according to a report published yesterday.

The report, produced by Environmental Policy Consultants, says the 86 EC environmental proposals now under consideration will have "very substantial" cost implications.

The cost to Britain would easily surpass the $25bn (£15bn) cost to American business of the 1990 United States Clean Air Act.

The latest EC proposal for reducing sulphur in diesel fuel and gas oil (used for heating purposes) would cost the European oil industry £2.40bn in expenditure on desulphurisation equipment at refineries.

The proposal for gas oil alone would cost British refineries £262m for such equipment.

Increased cost of incineration and shortage of disposal sites meant that the cost of dumping domestic waste could increase 20-fold over the next decade and the cost of special waste might rise 100-fold.

Proposals, still in the early stages, for harmonising energy efficiency requirements for new hot water boilers could lead to loss of jobs among British boiler manufacturers, it says.

All companies would be affected by the stricter pollution controls, environmental auditing requirements, energy efficiency regulations, environmental labelling of products, disclosure of information, tighter waste management and mandatory recycling.

The possibility of green taxes – such as a carbon tax on fuel which is now under EC consideration – would be "quite simply phenomenal."

But there would also be considerable savings in the longer term. For instance, it would cost about 70p on average for a manufacturer to energy label each appliance. But the energy saving over the lifetime of the appliance would be 50 times that sum.

Anticipating the Future, EC Environmental Policy Agenda, £125,EPC, 33 Brailsford Rd, London SW2 2TB.

BRITAIN IN BRIEF

Fears mount over new helicopter

Fresh concern over the EH101 helicopter, an Anglo-Italian project which is crucial to the future of the UK manufacturer Westland, was expressed in a report by a cross-party parliamentary committee.

It said it was concerned by "continued slippage" in the programme for supplying the helicopter to the Royal Navy, at an estimated cost of some £2.5bn including development.

The warning by the House of Commons defence committee comes two weeks after British and Italian officials cleared the way for setting up production lines for the new helicopter.

EC export share rises

The European Community accounted for 55 per cent of UK engineering exports in the first four months of 1991, up from 50 per cent for all 1990, according to an interim update to the Engineering Employers Federation's (EEF) last economic trends report.

The EEF noted that the EC's share of UK exports had risen from 38 per cent in 1983, and said the increasing dependence of engineering on the EC made the UK's position on European economic and monetary union a crucial issue.

Film groups to merge

The two main trade organisations in the film and television industry have voted to merge. The Producers Association will be merged with the Independent Programme Producers Association.

MAYBE this time: opposition Labour leader Mr Neil Kinnock (above) yesterday told his party's parliamentary candidates they would win more than 25 seats in southern England at the next general election. The south will be critical for Labour. Despite strong local government performances in cities such as Southampton and Bristol, the party has previously been unable to translate these successes into parliamentary seats.

New bid to recruit teachers

Teacher shortages are rapidly disappearing, Mr Kenneth Clarke, education secretary, said at the launch of £2.2m teacher recruitment campaign.

Mr Clarke announced that applications for this year's secondary PGCE teacher training courses are running at 35 per cent higher than last year, with applications in maths up 59 per cent, physics up 60 per cent and languages up 43 per cent.

House prices rise again

House prices continued to rise in June in the wake of the biggest monthly increase for more than a year in May, according to new figures out.

Nationwide Anglia, the country's second-biggest home loans and savings institution, reported prices rose 0.6 per cent last month following a 2 per cent increase in May.

Launch for data network

Dowty Group, the aerospace and electronics concern, is to launch its long-awaited Cognito mobile data network next month after clinching the London ambulance service as its first customer.

Dowty's system, to be launched on August 19, provides two-way data-only communication between mobile users.

Cognito, in which Dowty is the main shareholder, will be the first system of its type to be launched in the UK.

Industry repays £1.1bn loans

British manufacturing industry repaid £1.1bn of loans to the UK's nine biggest banking groups in the three months to the end of May, helping to cause a considerable deceleration in the growth of bank lending in the period.

Figures from the British Bankers' Association showed that in the three months overall lending by the banks increased by only £1.9bn.

Seacat sails

A wave-piercing catamaran – 'The Hoverspeed France' – became the first of a fleet of the so-called SeaCat vessels to operate on cross-Channel routes used by Hoverspeed, the cross-Channel travel company. The Seacats are intended to replace Hoverspeed's ageing hovercraft.

Observer, Page 16.

EC directive may be harmful

The EC's proposed directive on takeovers would be harmful to UK shareholders, Sir David Calcutt, chairman of the Takeover Panel, said in his annual report. He feared that the directive "could lead to less effective regulation".

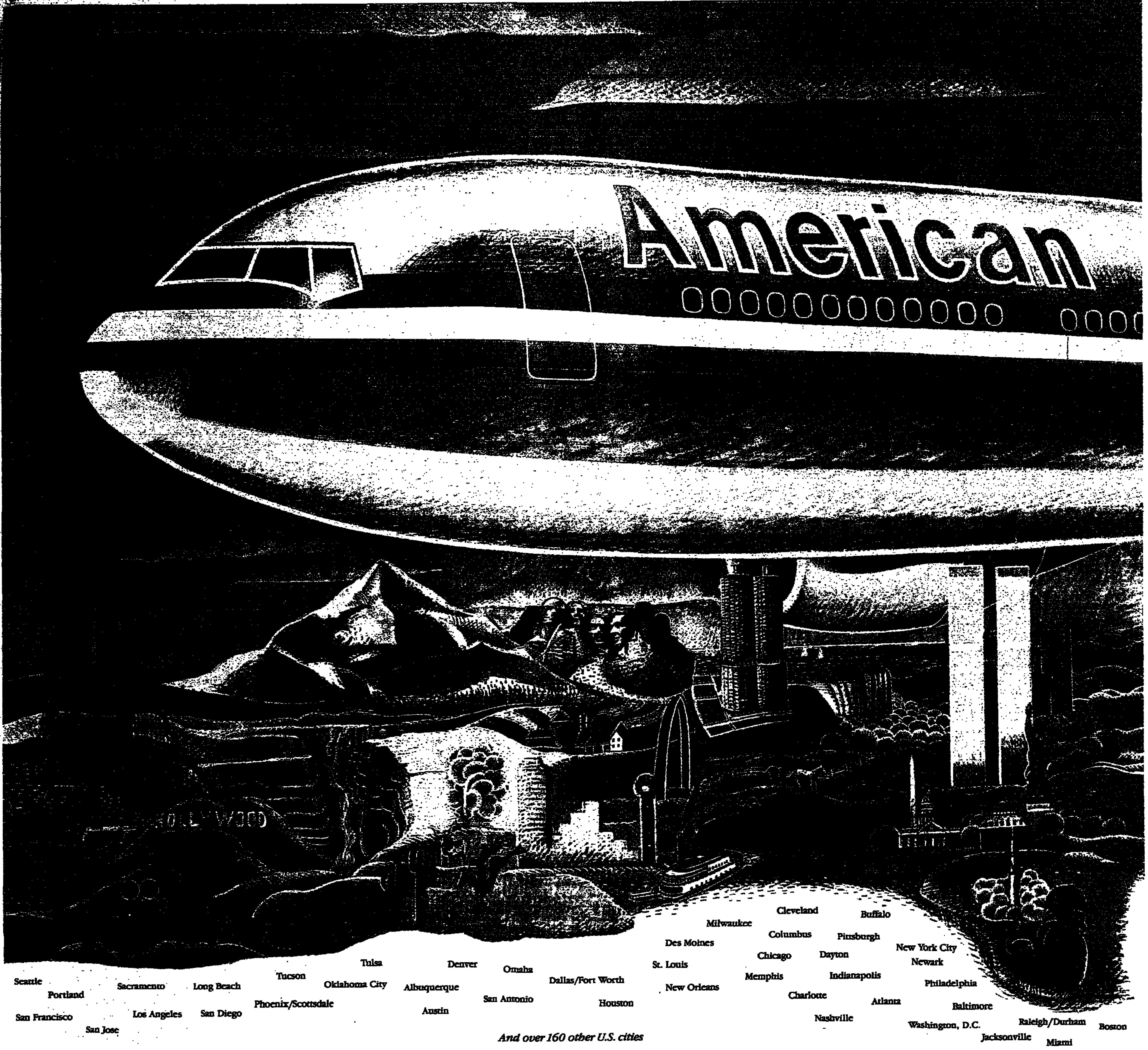
Mr Geoffrey Barnett, director-general of the panel, the voluntary body which sets rules for company bids, said meetings about the directive had exposed "fundamental differences of philosophy and expectation between member states" on key issues.

Americas Cup bid flounders

Mr Peter de Savary, the property and yachting entrepreneur, has pulled out of the 1992 America's Cup, just two weeks after giving the go-ahead to build a yacht for the competition.

The decision to abandon the project, which would cost a further £3m in addition to the £10m already spent on research, followed a failure to sign up two potential sponsors.

The British challenge for the America's Cup will be withdrawn unless another sponsor comes forward.



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Manchester	Chicago	Current
	New York (JFK)	2 July
Glasgow	Chicago	Current
Paris	Chicago	Current
	Dallas/Fort Worth	Current
	New York (JFK)	Current
	Raleigh/Durham	Current
Frankfurt	Chicago	Current
	Dallas/Fort Worth	Current
Munich	Chicago	Current*
Düsseldorf**	Chicago	Current*
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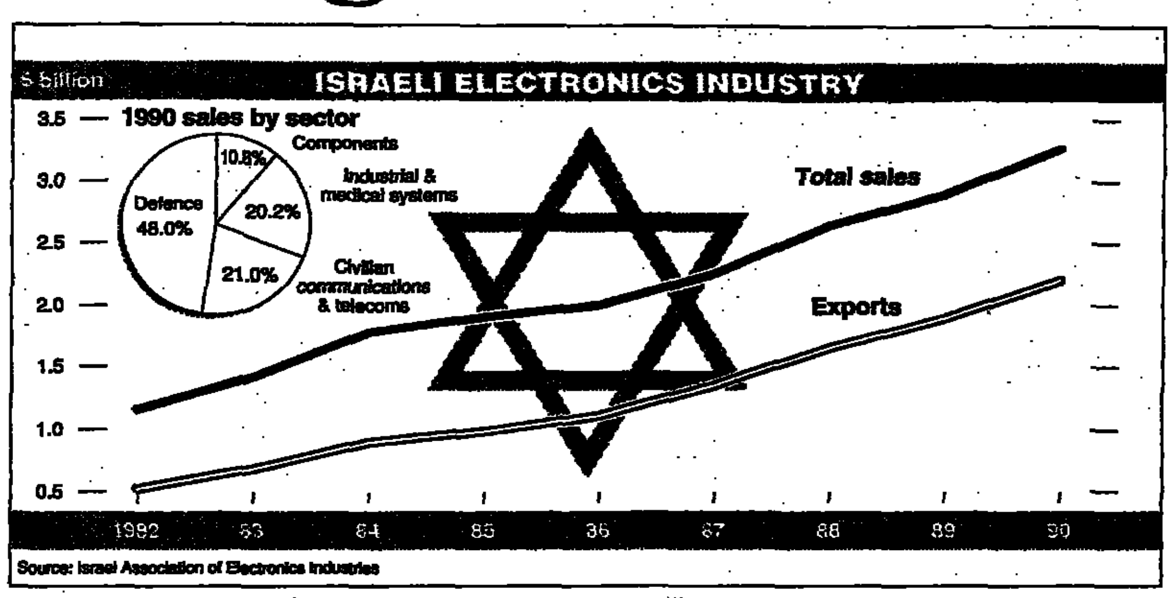
Hugh Carnegy looks at Israel's plans to expand its high-tech industries to absorb the expected influx of Soviet immigrants

Gearing up for a great flood



Source: Israel Association of Electronics Industries

In many countries – especially small trading nations with few natural resources – high-technology industries are seen as the way to a promised land of long-term economic growth. But very few are as dependent upon them now as is the Promised Land itself.

Over the next four to five years, the Israeli economy will have to generate no less than 500,000 new jobs – that's about one third of the number presently in employment – if it is to absorb the 1m Soviet Jewish immigrants expected to land in the country by then, as well as existing indigenous labour force growth.

The government says it is determined to resist the temptation of big public employment schemes to soak up the demand for jobs. Instead, it is looking to the high-tech sector to be a main engine of productive growth.

The rationale for this is clear. High-technology industries already have an impressive track record. They are heavily export-oriented and have attracted significant foreign investment. They also offer the best hope of satisfying the immigrants, about one third of whom are scientists, technicians and engineers, many of them highly qualified.

The question is, can the industry meet the challenge?

In some respects, the sudden onus on the high-technology sector looks badly timed. The driving force behind the big growth over the past 20 years in electronics, aviation and computer services was demand from the defence sector. When France, which until then had been the country's main weapons supplier, imposed an arms embargo following the 1967 Six Day War, the demand for local substitutes greatly stimulated domestic industry.

State-owned companies such as Israel Aircraft Industries and Israel Military Industries, and trade-union owned Tadiran and Soltam became big defence producers with growing exports. But all of these have since the mid-1980s gone through severe reversals as both domestic and worldwide defence spending turned down.

In the 1980s the number of people employed in the electronics industry fell from a peak of 38,200 in 1984 to 33,000 at the end of the decade, reflecting at least in part the retrenchment that occured in a number of key producers. As a measure of the reliance on the defence sector, in 1990 military systems accounted for 48 per cent of total electronics sales and 42 per cent of exports.

Nor was it just in the defence sector that problems arose. Companies such as Elscint, a top maker of medical diagnostic equipment, and Scitex, a leading producer of graphic imaging systems, went through financial crises, laying off hundreds of staff.

But this is not the whole story by any means. Overall, growth in high-technology areas was significant in a period when more traditional areas of the economy were stagnating. Sales of electronics products rose from \$640m (£340m) in 1979 to \$2.9bn in 1989, with exports rising from \$250m to \$1.9bn in the same period. By the end of the decade, electronics accounted for more than 27 per cent of industrial exports and 12 per cent of GNP.

Over the past few years, a shift away from the defence sector has been taking place. Some of the big companies that went through troubles in the 1980s are emerging back into profit. IAI, the biggest state-owned company, appears to have recovered from its biggest setback – the cancellation of the Lavi jet fighter project in 1987. Now restructured, the company is concentrating on expanding purely civilian operations, such as executive jet production, and cross-over activities such as unmanned aircraft and aircraft conversion.

Elsewhere in the defence sector, Israeli companies, whether in communications hardware or software applications, are aiming to use technology to enhance efficiency. A good example of a company which has grown strongly despite the worldwide slowing of defence demand is Rada Electronic Industries. It makes computerised avionics testing equipment which improves turnaround time for combat and other aircraft.

In the civilian area, too, some of the setbacks of the 1980s have been overcome. Scitex has once again become one of the most profitable Israeli exporters. Elscint, having shed a disastrous venture into mainstream X-ray equipment, is back on track in its core business at the top end of the medical imaging market.

Although the problems of some of the big defence sector producers are far from over, there is a feeling that the events of the 1980s have toughened the Israeli high-technology sector, leaving it in a condition to supply at least some of the growth now expected from it.

Underpinning this potential are several factors which have traditionally lain behind Israel's technological strength. One is the close relationship built up between the Israeli military and its suppliers, reinforced by the regular reserve duty every adult male must perform. This means engineers developing products not only talk to their army consumers, they often find themselves in the role of consumer.

Equally important – if not more so – is the strength of Israel's scientific academic institutions such as the Weizman Institute, the Hebrew University and the Technion. These are not only a source of highly qualified employees for high-tech businesses. They also work closely with industry, either in direct research projects or in joint ventures through their own commercial companies.

Coupled with generous aid, especially for R&D, from the government, these elements have helped not just to develop indigenous high-tech companies, but to attract in foreign companies, despite the political uncertainty involved in doing business in Israel. The international names that have set up operations in Israel, typically involving significant R&D projects, include IBM, Intel, Digital, National Semiconductor and Motorola.

Aside from these big players, a string of joint ventures have been set up under the US-Israeli Binational Industrial Research and Development Foundation, or Bird for short, which puts up 50 per cent of the start-up cost of the projects it blesses. By last year, 13 years after it was founded, the foundation said products made by the 160 ventures backed by Bird had earned \$250m.

Ed Mlavsky, Bird's enthusiastic director, says the potential for further high-tech development in Israel is great. "I don't know what the limit is, but I suspect it is a hell of a lot bigger than it is now."

There are obstacles to be overcome, however, if the sector is to become a big consumer of Soviet newcomers.

Not the least is investment funding. "Israel abounds in the lack of venture capital," declares Mlavsky. Although government-funding through Bird and other incentives is readily available, complaints are frequently made that *private risk capital is not.*

Akiva Meir is chief executive of Clal Electronics, the electronics arm of Clal Industries, Israel's biggest private industrial group. His portfolio includes Scitex and ECI Telecom, recently a rocketing export success through its advanced multiplexing equipment.

"For some reason, the right type of thinking did not permeate government leaders or industrial leaders," he says. "I don't see a shortage of funds, I see a shortage of the willingness to take risks. I don't say we should take greater risks, I say we should take more risks."

There are other, structural, factors that may limit the growth of the high-technology sector, at least in employment terms. Because Israel has a small domestic market, is far from its export markets and has limited labour cost advantages, expanding companies tend to shift much of their manufacturing and marketing overseas.

A number of recent Israeli success stories, such as Rada, the fibre-optic computer networking outfit Fibronics and Sapiens, a fast-growing software house, have their stock exchange quotation or headquarters – or both – outside the country.

"I think if we want to stay an Israeli multinational we have to use all the relative advantages: to have *R&D here, engineering here, planning* – to have the head here. But the muscles have to be in the market," says Eli Hurvitz, head of Teva Pharmaceuticals. There is, he admits, "a big question mark" over employing large numbers in manufacturing in Israel.

This might change if there should be a Middle East peace settlement, in which case Israel would have every prospect of becoming a technology powerhouse for the region. It would have significant markets on its doorstep and would be a far more attractive proposition for inward investment. But until that elusive day dawns, Israeli high-tech industrialists must face the challenge of immigration by other means.

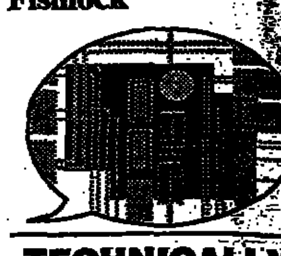
Uzia Galil, pioneer founder and Chairman of Elron, a high-tech group that includes Elscint and Fibronics, says the big dilemma is to absorb the newcomers quickly when ideally time should be taken to evaluate their real talents and tailor them to the market.

What the situation requires, he says, is a "complete change of concept". He says the emphasis should shift rapidly to selling "engineering services, R&D services and high-class manufacturing". He thinks Israel should move into high-tech consumer markets, producing volume components for products such as cameras.

"That is the way for high tech in Israel to really grow. If it were not for immigration we would continue the route of niche-oriented development. But it is not enough now."

Industrial R&D meets its market

By David Fishlock



TECHNICALLY SPEAKING

What is the future for industrial research and development? A club of European research managers has tried to answer that question, with results that deserve to be considered carefully by those who provide the funding.

The European Industrial Research Management Association (EIRMA) is a Paris-based group of more than 200 European companies. EIRMA argued that since research managers are the ones who "make the future", they are well-qualified to guess what the future might hold.

Nearly half of its member-companies and a total of 114 research managers responded to a questionnaire drafted by a sub-group led by Ambros Speiser, a consultant for ABB who has managed European laboratories for both Brown Boveri and IBM.

Speiser sums up the difference by saying "society at large must be present in our laboratories". In the past, scientists saw no need to bother about the marketplace – about people and what they needed. Those days have gone.

Three important factors have intruded that were not present – or even predictable – 20 years ago. All engage society at large. They are environmental worries and the limits on natural resources, corporate concern for the feelings of the public in general, and the difficulty of motivating young people to engage in R&D.

Japan is also perceived by many as a threat. The country is seen as making a commercial success of ideas that originated in the west. But research managers are keenly aware that the Japanese are growing increasingly conscious of their failure to contribute to basic science, and are beginning to invest heavily.

But the trend in industrial R&D today is away from such science, towards technology; towards shorter cycles from start to commercialisation of a project. The trend is also to let others test the truly new discoveries first.

But what of central or corporate research, the long-range projects intended to open new opportunities for a company, to widen its options?

As such, corporate research should be a strategic tool of top management, intended to assure the company's future, and therefore financed by the board. But the managers recognise that this carries the risk that if such research is insulated from the pressures of the marketplace it can also become detached from the market's needs. On the other hand, if the scientists are forced to compete for research contracts, corporate research may lose its value as a strategic management tool.

The consensus is that a blend of both is needed for the future, with management deciding what proportion will be granted and what must be earned. Research management must then ensure that the grants are spent on strategic projects and not diverted to short-term problems.

Company management must try to keep its research investment stable. When events change – through mergers or acquisitions, for example – research management must be prepared to adapt. As Speiser remarks, it is an illusion to believe that good research results can impose strategic concepts on management.

Finally, the people problem. Finding and motivating good people has always been difficult, but is exacerbated today by heightened competition for the best young minds from medicine and the social sciences. Industrial R&D is a less comfortable career than it has been; but the research managers admit they would also have said this a quarter-century ago. Perhaps the biggest worry for the west should be that science will, for whatever reason, get decoupled from industrial R&D, whereupon true innovation will begin to dry up.

MANAGEMENT: The Growing Business

Goliath and David learn from each other

Charles Batchelor reports on changes in enterprise support

Richard Beatty (centre) with co-directors Barry Malone (left) and Graham Paling

Richard Beatty, co-founder of Mongoose Communications, a sales and marketing consultancy, says an important contribution to the success of his 16-month old business, came in the form of advice from John Kirkham, UK managing director of Applied Learning International, a $200m-a-year turnover US computer-based training group.

Beatty and his two co-founders met Kirkham several times to discuss Mongoose's business plan and ideas for new product development. The advice sessions with Kirkham were part of a help package – also involving a £3,000 loan – provided by the Prince's Youth Business Trust (PYBT).

The trust, which has the backing of the Prince of Wales, helps young entrepreneurs, some from disadvantaged backgrounds.

"John gave us the confidence to go on with what we were doing," says Beatty. "We left our meetings feeling we were going in the right direction." In its second full year, the London-based Mongoose employs eight people and expects turnover of £500,000.

Kirkham, for his part, says that working with people 20 years his junior setting up in business was stimulating while he also learned a lot about the database marketing techniques which his own company is starting to implement.

Kirkham's assistance to Mongoose was just a fragment of the "enterprise support" industry which has grown up over the past decade alongside established sponsorship programmes for sport and the arts.

Large companies spent an estimated £200m backing programmes to support enterprise and small businesses during the 1980s, says David Grayson, managing director of operations for Business in the Community which encourages business involvement in enterprise and other community projects.

They were driven by a mixture of altruism and enlightened self-interest which argued that a buoyant local economy had to be good for creating more customers and suppliers and fewer disaffected teenagers.

B&Q, the DIY stores chain, has put £500,000 into the PYBT over the past six years to create goodwill in the local community, win a higher profile when recruiting staff and to broaden the management skills of the staff it seconds.

"It is very difficult to measure the payback," says Jim Hodkinson, managing director. "But we are very high profile in some towns. We take money out of the local community and it is important to show we are investing it back."

Companies like Shell UK have devised their own schemes for encouraging the enterprise spirit in school-leavers and undergraduates.

Some have committed funds and seconded staff to local enterprise agencies while others have converted redundant factories into serviced workspace for small firms.

BT, the telecommunications group, last month launched a £3m fund to provide small amounts of equity and loans to new businesses in less prosperous areas.

But now, after a decade of uninterrupted growth, many of the donor companies and the organisations which channel the funds to worthy small business causes are starting to reassess their approach.

Business in the Community, which acts as an umbrella organisation for the UK's network of more than 300 enterprise agencies, is currently taking soundings among its big business sponsors ahead of a conference, Directions for the Nineties, which is planned for July 25.

This desire for a rethink has been motivated partly by changing attitudes within large firms towards the idea of funding enterprise and partly by a more sophisticated perception of the needs of small businesses.

Many large businesses have traditionally provided funding for small businesses from their charitable funds. "These were allocated without strings to meet community needs," says Rory Jeffes, fund-raising director for the Prince's Youth Business Trust. "They were straight donations and very little was expected in terms of acknowledgement."

Increasingly though, companies are allocating finance to back enterprise from their marketing budgets. "One has to be aware of the marketing needs of the company," says Jeffes. "We believe the future of corporate fund-raising involves greater promotional links. Companies will look for charities which can help them develop their brand objectives."

Partly as a result of this harder-headed approach to giving and partly as a result of the recession, many of the traditional blue chip companies which support the PYBT have been reducing the size of their donations. The trust has responded by carefully targeting new categories of donor.

A recent campaign to raise funds to mark the Prince of Wales's 40th birthday raised much of the £39m which came from private sector donors from private and public companies run by self-made businessmen who had made good from humble beginnings. Matching UK government and European Commission finance took the fund's total to £89m.

While the PYBT has been assiduously courting new corporate donors to the idea of enterprise, the long-established companies in this field have been rethinking their approach. BP, which spends £1.7m in this area each year, is attempting to focus its charity donations more closely.

"We have spread our money thinly, £10,000 here and £20,000 there and the impact has been dissipated," says Hazel Cadenhead, a member of BP's three-person community affairs team.

A more closely focused approach to enterprise support has already paid dividends for companies such as Shell UK, which runs two very successful programmes to help young people. The Livewire programme provides advice and awards in cash and "kind" to 16-25 year-olds who submit an acceptable business plan, while the Shell Technology Enterprise Programme (STEP) places 300 polytechnic and university undergraduates with small businesses during their summer vacation.

"The advantage of such tightly run programmes is that the donor can test an idea, iron out the imperfections and then spread out a local pilot on a national scale," says Asif Abdulla, manager of Shell's enterprise unit. The company puts its money into developing a good idea and then calls on other sponsors to pay for the day-to-day operation.

For the 1991 STEP programme, Shell has raised sponsorship funds from several Tecs, British Steel Industry, British Coal Enterprise and the Welsh Development Agency.

BAT Industries, the tobacco and financial services group, has made a speciality of creating managed workspace for small companies in disused commercial buildings. But it has also backed what Brian Hutchinson, community affairs manager, describes as "people who write to us about their local good cause".

In future BAT plans to concentrate its efforts on large-scale projects such as the Sandhills Industrial Centre, a former cigarette factory in north Liverpool, which it is now converting into space for medium-sized companies available on one month lettings. Large projects like this have a spill-over effect on other local businesses and can help revitalise complete areas.

BAT's decision to provide small commercial units for medium-sized firms mirrors a shift by some other donors to helping small firms expand, rather than promoting more start-ups. "Large companies are looking more at how they can help businesses with growth potential," says BitC's Grayson. This is likely to mean that the enterprise agencies, which have specialised in helping start-ups and very small businesses, will have to fight harder for funding.

With the issues of rising unemployment and increased homelessness among young people once again on the front pages of the newspapers, the social arguments for continuing to back enterprise are likely to remain strong. At the same time, the marketing links which more big companies seek to establish and a shift to backing medium-sized companies, suggest a more commercial approach. For organisations like the Prince's Youth Business Trust and Business in the Community, the challenge lies in continuing to persuade potential donors that the two approaches are not irreconcilable.

Going for the hard option

European governments and small business differ on policy priorities, reports **Charles Batchelor**

Government aid for small business concentrates on "soft" areas such as information and advisory services rather than "hard" areas such as tax reform, competition policy and the provision of finance.

This is the conclusion of a study* of the small business policy of governments in the UK and Germany and of the European Commission.

Small firm owners believe that the most serious of the difficulties they face are government-imposed, particularly taxation, social costs and paperwork. They give the highest priority to reducing government cost-burdens and not to the areas which governments are keenest to support, the authors, Graham Bannock and Horst Albach, state.

Governments argue, for example, that small firms lack information and under-invest in training. Yet owners complain that much information provided by government is out-of-date and too general to be of use while good trainers of small business are few.

The main reasons why governments concentrate on policies which most small business owners do not want are threefold, the authors claim.

Firstly, in a democracy it is difficult to resist voters' demands for more intervention but the costs fall disproportionately on small firms. Filling in VAT forms, for example, uses up the small business owner's most precious resource, his own time.

Secondly, the officials in a position to implement the hard policies small firms want are invariably located outside the departments responsible for small business policy – in the Treasury or the Department of Social Security in the UK. Effective action requires the co-operation of departments with little concern for small business issues.

Finally, governments lack an understanding of small business issues. Senior directors of large companies often complain of a lack of understanding of their problems. For the small business proprietor the cultural gulf is immeasurably greater.

Both governments, and the European Commission, need to take more seriously the priorities expressed by business owners on how to minimise the burden of government, the authors suggest.

Turning to the scale of government support for small business the study finds that Germany spends at least twice as much as Britain in relation to its gross domestic product and possibly four or more times as much if the Enterprise Allowance Scheme, which could be regarded as a substitute for unemployment relief, were excluded.

The largest single item of spending in Germany was £800m to meet the cost of low-intererst loans while in Britain the most expensive scheme was the Enterprise Allowance Scheme which cost £199m.

**Small Business Policy in Europe. Published by the Anglo-German Foundation. 30 page summary £3, 100 page full report £12.50. From G Bannock & Partners. Tel 071-723 1845.*

More scope for small claims

By Charles Batchelor

The increase this week in the size of small claims which can be dealt with by the county courts from £500 to £1,000 is expected to make the small claims procedure attractive to far more people. But many small business owners are confused by the courts' procedures, first introduced 20 years ago.

A new guide, How to Prepare and Defend a Small Claim in the County Court, sets out to make matters clearer.

Even successful litigants often fail to claim all the costs to which they are entitled, says Grant McCrostie, who wrote the guide after helping several friends use the small claims procedure.

The main advantage of using the court is that the two sides involved usually present their own cases, keeping costs to a minimum, though plaintiffs will have to overcome any fears they may have about public speaking.

Fortunately, cases are not heard in open court and procedures tend to be much less formal than in a normal trial. The dispute is normally heard by a district judge acting as an arbitrator.

If the case is not defended the court may simply enter a judgment against the defendant and there will be no need for the plaintiff to attend a hearing. The parties involved may choose to be represented by a solicitor but this will be more expensive.

Most claimants attempt to resolve disputes by negotiation before going to court. Generally parties allow this stage to carry on for too long in the mistaken belief that the other party will see sense and settle. They rarely do.

Set a reasonable period at the outset and stick to it, McCrostie suggests.

The length of the court process varies widely. A simple action to recover a debt which does not involve a hearing can be resolved in 14 days from the date of service of the summons. More complicated matters involving a preliminary hearing and an arbitration hearing can take several months. Enforcement proceedings may also take up time if the unsuccessful party refuses to pay up.

How much does it cost? Court fees rise in line with the damages claimed but the largest fee payable to issue a summons is £43. Most cases you should be able to conduct yourself but a more complicated case may require the services of a solicitor. There may also be witnesses' expenses; valuers or insurance assessor's fees; and the cost of your own time.

If you succeed in your claim you should be able to recover all of your costs including interest but excluding the cost of employing a solicitor to represent you at a hearing. But bringing an action may also encourage the defendant to counterclaim against you so you must weigh up the impact of having to pay him damages and his costs.

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3 of the party of 9 have unfortunately had to cancel their driven shooting from 14th - 17th August and their places are now available to safe guns.
For further information
Tel: 09755 71377
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SW10, SW6, N1, W10, Hounslow. Quantity discounts. Also cars lovingly lodged during owners absence.
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Market research business publications firm in U.S. seeking joint venture partner for identified U.S./European expansion. Growth industry: ideal executive self-employment.

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Offshore Company Formation and Administration. Also Liberia, Panama & BVI etc Total offshore facilities and services.
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Tlx 4192227 COFORM C

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An extremely rare opportunity to acquire the services of a reliable, trustworthy individual with proven all round management and entrepreneurial qualities. I already have a successful company but require additional challenges. If you would never consider a reply to an advertisement of this nature then this should be the exception.

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Tel: 49-4562-9947

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interested in acquisition or management of small to medium sized country house hotels. Apply in writing please to:
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Fax: 071-436 8954

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Fully listed Plc required by successful group. The object is to reverse its management skills and financial base into the vehicle with a view to recapitalising, to support current and anticipated future growth.

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based in Mayfair are looking to acquire companies with billings up to £1m.
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BUSINESSES FOR SALE

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Corporate Recovery · Litigation Support · Corporate Finance · Taxation · Banking Investigations · Investment Management · Pensions & Life Assurance · Accounting · Auditing

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SMD Haulage Ltd
Dexterway Ltd
Mac Bulk Haulage Ltd
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Woodlink Leisure Ltd
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The companies are involved in:
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The key features of the business are:
- ★ Substantial leasehold sites at:
  - — Watford 3 acres
  - — Neasden 3½ acres
  - — Kings Cross 6 acres
  - — Coulsdon 3 acres
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- ★ 70 haulage vehicles.
- ★ Significant plant & machinery.

For details, contact Peter Yeldon or John Hardcastle on 071-637 5377 at the offices of Smith & Williamson, No. 1 Riding House Street, London W1A 3AS. Fax: 071-323 5683.

Smith & Williamson, Chartered Accountants Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

Smith & Williamson Securities Authorised institution under Banking Act 1987. Member of IMRO. Member of the British Merchant Banking and Securities Houses Association

ON THE INSTRUCTIONS OF A M HOMAN AND J G A PHILLIPS JOINT RECEIVERS OF ARENA DEVELOPMENTS (EUROPE) LTD

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Ref: NHT/EJRS

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For more information contact:Box H8829, Financial Times, One Southwark Bridge, London SE1 9HL

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- 600 seat theatre conference facility
- Oasis style heated outdoor pool
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- Extensive 5 acre site on central promenade

Weatherall Green & Smith, 0532-442066

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We are seeking to acquire businesses invloved in all aspects of engineering and associated products or services. If you have a Division Company or Product which you wish to dispose of and which has relocatable potential please send full details to
J. Grimmond, Chief Executive James Dickie plc, Barton Industrial Estate, Faldo Road, Barton-le-Clay, Beds. MK45 4RP.

FOR SALE 7 ACRE SITE

with 90,000 ft² high bay building currently used as foundry. Located two miles junction 15 M6. For sale with or without foundry business.
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Long established company with prestigious customer base including blue-chip companies. Skilled professional and craft workforce with proven track record and excellent reputation in modern building services. Valuable freehold property with development permission and good communications would be included in sale or investment opportunity.

For further information contact Martin Robbie, Grant Thornton, Enterprise House, Isambard Brunnel Road, Portsmouth PO1 2RZ. Telephone (0705) 753175, Fax (0705) 825356.

Porto - Portugal

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Vertically integrated textile business with in-house knitting, dyeing and clothing manufacture. Currently providing major brand-name producers with high-quality knitwear. Annual capacity 1,300,000 garments, with scope for expansion.
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P-1000 LISBON, PORTUGAL • TELEFAX: 680051

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The company is involved in smoking related products.
- ★ Old-established business with experienced workforce.
- ★ 58% of market share in manufacture & supply of smoking pipes in UK.
- ★ All the necessary related plant & machinery.
- ★ Stock with a value of £300K.
- ★ 4500 sq ft leasehold premises in Lower Edmonton.

For details, contact Nicholas Rae or Peter Mills on 071-637 5377 at the offices of Smith & Williamson, No. 1 Riding House Street, London W1A 3AS. Fax: 071-323 5683.

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DAVID GARRICK — IMPORTER AND DISTRIBUTOR

We are retained to sell a well-established importer and distributor of high quality small retail goods.

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DAVID GARRICK
1 de Walden Court
85 New Cavendish Street
London W1M 7RA
Tel: 071-631 0659
Fax: 071-436 4311

For further information contact: STEPHEN DAVID

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FOR SALE - NORTH LONDON

Long established Commercial Stationery distribution business. Modern warehouse, fully computerised, blue chip customer base, turnover £1.4m, scope to expand.
This is not a distress sale - disposal of non-core activity. Principals only please. All enquiries in strictest confidence to:
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ELECTRONICS COMPANY

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Tel: 052/627578, Telefax: 052 685724

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Variety of trades and locations
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Each site may be purchased as a going concern with valuable contracts in place.
Principals only contact:
Mr J Cashin
Boyes Turner & Burrows
10 Duke Street Reading RG1 4RX

For Sale

Profitable business providing support services to major utilities.

Our client provides fault rectification assistance to major utilities, including connecting replacement underground lines using "mole" tunnelling techniques.

Estimated profitability for the 12 months ended June 30, 1991 of £300,000 pre-tax.

The founder is now looking to reduce his involvement in the business to concentrate on new developments and wishes to sell. In view of the nature of the business, which is a service operation, an earnout arrangement is envisaged but not essential.

For further details contact: Sue Watson, Harris Watson Services Ltd, 12 St Paul's Square, *Birmingham B3 1RB*
Tel: 021-233 9700 Fax: 021-233 9707

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Very prominently located, grade 2 listed venue bar

Prominent, Characterful building with extremely versatile trading area. Conservatory bar with dance floor and two further bars.
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ARC's, GOSPORT

Fun Pub and Discotheque
on ground floor and first floor.
Total Capacity - 390
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TEL: 071-494 3888 FAX: 071-287 6119

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ARTHUR ANDERSEN

ARTHUR ANDERSEN & CO. SC

Avon Inns Ltd.
in Administrative Receivership.
The Joint Administrative Receivers offer for sale:

The Navy Tavern, Melksham, Wiltshire
Freehold £405,000

The Vobster Inn, Frome, Somerset
Freehold £425,000

Farmhouse Inn, Trowbridge, Wiltshire
Freehold £390,000

The White Hart, Castle Combe, Wiltshire
Freehold £335,000

For further details contact Nick Roberts, Christie & Co's Corporate and Acquisition Division on 071-799 2121.

CHRISTIE & Co
CORPORATE & ACQUISITION

OIL SERVICE INDUSTRY BUSINESS FOR SALE

We are retained by a Group to dispose of a non-core subsidiary, based in Aberdeen, which provides tubular rental and other related services to the offshore oil and gas industry.

The actual and forecast profitability before taxation in 1990 and 1991 is £204,000 and £320,000 respectively.

Details will be made available to disclosed principals on application to:-

Colin I Welsh
Partner
Rutherford Manson Dowds
Chartered Accountants
2 Queens Terrace
Aberdeen
AB1 1XL
Telephone: 0224 625888

Rutherford Manson Dowds

ROBERT BARRY & Co

STRATHMORE HOTEL THE HOE, PLYMOUTH

55 en suite bedroom 3 star hotel. Sound year round trade. £130,635 profits on net T/O £565,260.

OFFERS AROUND £1.2M FREEHOLD

NEARLY 15% RETURN

70 en suite bedroom 3 star hotel. 1.5 acres in thriving commercial and holiday town in Southwest. Extensive leisure complex. Expanding, well-balanced year round trade. £394,090 profits on net T/O £1,254,882 under management.

OFFERS OVER £2.65M FREEHOLD
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A Midland based group wishes to dispose of its cellular interests which comprises of a small but well established cellular distribution business generating good on going revenue from the existing customer base and offers enormous upgrade and repeat sales development opportunities from a large commercial/professional customer base. This business is profitable and offers excellent potential.

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Well Established
High Profile

FOR SALE

Principals Only

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FOR SALE

Small but very profitable Plumbing and Heating Company based in the East Midlands. Owner intending to retire in 2 years and will offer continuation if required. Principals only
Write Box H8865. Financial Times. One Southwark Bridge. LONDON. SE1 9HL

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- PROMINENT CORNER HOTEL SITE
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- EXCITING OPPORTUNITY FOR POSSIBLE BUDGET STYLE HOTEL

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SOLE AGENTS Ref: DGP/KJC

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Hotels & Leisure International

ENGINEERING SUPPLIES DISTRIBUTION COMPANY

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136 Bridge Street,
Ledbury, Hfds. HR8 2AS
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Write to Box H8882 Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESSES FOR SALE

Touche Ross

Joinery-Spec Limited
(In Administrative Receivership)

The Joint Administrative Receivers, Andrew P. Peters and Joseph B. Atkinson, offer for sale the above joinery manufacturer:
- Specialists in interior joinery in hotels, shops, offices and leisure industry; supply and fix.
- Leasehold premises in Birmingham and Stratford-upon-Avon.
- Fully equipped workshops with 28,000 sq. ft. production area.
- Turnover £1.7 million.
- 30 employees.

For further information, please contact Roger Brown or Fiona Conway at the address below.

Newater House, 11 Newhall Street, Birmingham B3 3NY.
Tel: 021 631 2288. Fax 021 236 1513.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Member DRT International

LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
J.J SCHAPIRA ACA & S. D. SWADEN FCA

IN THE MATTER OF

J.B OPTICS LTD. TRADING AS J.B. FASHIONS

The Joint Administrative Receivers offer for sale as a going concern this well known Optical Manufacturer and Wholesaler. The company trades from premises in Harrow Middlesex.

Further enquires should be addressed to the offices of;
Leonard Curtis & Co, Chartered Accountants,
30 Eastbourne Terrace, London W2 6LF
Tel: 071-262 7700 Fax 071-723 6059 REF: 11 / MT

The Joint Administrative Receivers John F Powell and David J Corney offer for sale the business assets and goodwill of

Nationwide Leasing and Finance Limited

The company, based in Wolverhampton, West Midlands, arranges finance agreements for customers requiring motor vehicles, together with a service and maintenance facility. The assets include:-
- Long leasehold property.
- Over 1200 service and maintenance agreements.
- Turnover in excess of £12m.

For further information, please contact the Joint Administrative Receiver, David J Corney or Phillip Allen of Cork Gully, 43 Temple Row, Birmingham, B2 5JT. Tel: 021-236 9986. Fax: 021-200 4040. Telex: 837832.

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Cork Gully

IMPERIAL GROUP PUBLISHING LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)

The Joint Administrative Receivers offer for sale the business and assets of the above publishing company.

Magazine titles include:
- UK/East European Export Directory
- Baby Annual (joint publisher)
- European Fine Foods
- European Hotelier
- City PA
- Conservatory Trade
- Business Accountant
- Croft "Eating-out" Guides

Total advertising pre-sales on future editions of the above titles is approximately £300,000.

For further information, contact
Ken Lindsay at:
Arthur Andersen & Co.
P.O. Box 55
1 Surrey Street
London WC2R 2NT
Fax No. (071) 438 3771

ARTHUR ANDERSEN

Fully Fashioned Knitwear Manufacturer

The Joint Administrative Receivers offer for sale the business and assets of Telray Knitwear Limited. Key features include:
- *Customers principally comprise of major retail stores in UK and abroad*
- *4,900 sq ft freehold premises and 12,500 sq ft leasehold premises at Syston, Leicester, with good parking facilities*
- *9 gg and 15 gg fully fashioned knitting plant*

For brief particulars of sale please apply to the Joint Administrative Receiver G.C.S. Baker, Ernst & Young, 37 New Walk, Leicester LE1 6TU. Telephone (0533) 549818. Fax: (0533) 551357.

ERNST & YOUNG

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Vincents of Littleport Limited
Vincents (Downham Market) Limited

The Joint Administrative Receivers offer for sale the business and assets of the above companies, both operating garage businesses, as going concerns.

VINCENTS OF LITTLEPORT LIMITED

Principal features include:
- Established freehold site including bungalow at rear of garage.
- Forecourt, workshop and car showroom.
- Turnover approximately £1.4m per annum.
- Prospective fuel sales of 260,000 gallons.

VINCENTS (DOWNHAM MARKET) LIMITED

Principal features include:
- Recently purpose built leasehold site (62 year lease).
- Forecourt, workshop and car showroom.
- Turnover approximately £0.9m per annum.
- Prospective fuel sales of 200,000 gallons.

For further information contact the Joint Administrative Receiver, Dennis Cross or Howard Evans, KPMG Peat Marwick, Chater House, 37 Hills Road, Cambridge CB2 1XL. Tel: 0223 66692. Fax: 0223 460701.

KPMG Corporate Recovery

Richmond Metal Company Limited

The Joint Administrative Receivers offer for sale the business and assets of Richmond Metal Company Limited, as a going concern.

Principal features include:
- Well established metal merchants specialising in non-ferrous scrap.
- Turnover in excess of £10 million.
- Good historical earnings record.
- 28,000 sq ft freehold warehouse.
- Located close to M25, M3, M4.

For further information contact the Joint Administrative Receiver, Paul Jeffery, KPMG Peat Marwick, 20 Farringdon Street, London EC4A 4PP. Tel: 071 236 8000. Fax 071 248 1790

KPMG Corporate Recovery

CNC Machine Tools Manufacture and service

The Joint Administrative Receivers offer for sale the business and assets of MHP Machines Limited.

The company was acquired by management from a large international group, but has suffered from falling demand owing to the recession. The business is considered capable of succeeding in the medium term.
- Gloucester based modern leasehold premises
- Good management and technical knowhow
- 25 employees - strong skill base
- 1990 turnover £2.7 million (£83,000 loss)
- Useful contribution from profitable service activities

For further information please contact the Joint Administrative Receiver Steve Hill or Denise Godding at Lennox House, Spa Road, Gloucester GL1 1XD
Tel: 0452 332200 Fax: 0452 300699

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Cork Gully

[illegible] Supplies Limited
(In Receivership)

IAN N CARRUTHERS AND DAVID R WILTON, *Joint Administrative Receivers* offer for sale the business and assets of this established scaffolding supply, hire and erect company operating from leasehold premises in Small Heath, Birmingham.

The principal features of the business are:
- Turnover £1.2 million in 1990;
- Established customer base;
- Well maintained stock;
- Long lease in central Birmingham giving access to motorway network;
- Excellent expansion capacity;

Interested parties requiring further information should contact the Joint Administrative Receiver, Ian N Carruthers or Peter Windatt at Cork Gully, 43 Temple Row, Birmingham B2 5JT Tel: 021 236 9988 Fax: 021 200 4040

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Cork Gully

Free Foresters Group
Haulage Companies based in the Forest of Dean

The Joint Administrative Receivers offer for sale the assets, undertaking and goodwill
- Turnover £2.8m +
- Employees 50
- Freehold property with development potential
- Leasehold property
- Depots South Yorkshire and South Wales

Also available the assets, undertaking and goodwill of a Garage Servicing Business.

Potential purchasers should contact the Joint Administrative Receivers or their manager, Phil Gorman, at Cork Gully, Lennox House, Spa Road, Gloucester, GL1 1XD (telephone number 0452 332200).

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Cork Gully

ISO VIDEO LIMITED

The Joint Administrative Receivers offer for sale the business and/or assets of ISO VIDEO LIMITED, a company based in Nottingham involved in the manufacture and sale of a unique infra-red (cable free) link system, which is capable of transmitting television camera control instructions, sound and computer data. Used mainly for security purposes, the company has potential orders in the region of £650,000.

For further information contact:
R S Harding or Martin Lloyd
Pannell Kerr Forster & Partners
Regent House, Clinton Avenue,
Nottingham NG5 1AZ
Tel: 0602 608171
Fax: 0602 603665

PANNELL KERR FORSTER & PARTNERS
INSOLVENCY PRACTITIONERS

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TEXAS USA

Physical Therapy Centre. Annual revenue U.S. $1.2 million. Very profitable. Ideal absentee ownership. Management in place and owner / therapist willing to remain.

Reply to
Robert Morris Financial Associates
3833 S.Texas Ave., Suite 217,
Bryan, Texas USA 77802

ELECTRONIC COMPONENT DISTRIBUTOR

T/O £250k. Good Profit. Strong Established Customer Base. Movable. Excellent Potential For Growth. Could Suit Redundant Executive or Existing Distributor/Manufacturer. Genuine Retirement Sale. Principals only.

Write Box H8889, Financial Times, One Southwark Bridge, LONDON. SE1 9HL.

FOR SALE

Well established commercial property magazine. High turnover & profit.

Write Box H8893, Financial Times, One Southwark Bridge, London SE1 9HL

Home based - six figure income

Established and expanding business supplying Limited range to an industry. Excellent customer base. No staff problems. Garage *required for stock/dispatch.* Price £345,000.

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High Precision Engineering. Profitable. Sales £800,000. Blue Chip Customers. Retirement Sale. Southern England.

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ARTS

Confidence regained

In Birmingham's Centenary Square William Packer muses on the city's cultural ups and downs

For the proud and handsome city it once was, Birmingham has lately come to enjoy an unenviable philistine reputation. And after the horrors of New Street Station and the Bull Ring, to walk up the hill to the City Art Gallery and the other public buildings round about, is indeed to be grateful for the ample confidence of the Victorians. To walk but a little further on, eyes well downcast through the inevitable shopping mall, with its theme eateries, new model library and standard designer kitsch, to emerge into what is now Centenary Square, is to catch just a hint that something of that old confidence might be abroad again.

Here is an open civic space on the grand scale, defined at either end but not as yet imposed upon by modern architecture. At that farther end sits Birmingham's new pride and joy, opened barely a month ago by The Queen, temple to commerce and modern business methods, its very own International Convention Centre. It all cries out for art of one sort or another, and art is what it has got, with more to come.

But Birmingham has tripped down this road before, once even awarding a commission only to have its own engineers remove the prize sculpture as a public danger. Some such black comedy has intruded here, in the case still unresolved of Deanna Petherbridge's mural for the curved interior curtain wall of the Symphony Hall. Ceiling high, it is to be seen in its entirety only from outside, when the Centre is lit up at night and the work at every level comes together – but not if the restaurateur, who with his licence from the Council has installed his bar in front of it, has his way.

Oh dear: but at least the mural, as were the Centre's other two commissioned works – a stained glass window by Alex Beleschenko and the "neon bird sculpture" by Ron Hasleden under the entrance canopy – was integral to the building, the artist involved with planners and architects from the earliest stages. Does that make the situation any better? Perhaps it makes it worse.

And then there is the sculpture, "Forward", by Raymond Mason, in the middle of Centenary Square itself, a wonderfully ludicrous piece of high-minded we're all in this together for a Brave-New-City symbolism. There it chugs away, as big as a railway engine, puffing smoke from its factory chimney in the rear, and the people of Birmingham in solid procession, moving forward through the ages in a figurative crescendo of youth and earnestness, all painted an odd cream colour, picked out in red. The pity is that Mason has so inflated polemic at the expense of all formal considerations. Uneven as he is, he is a better, more serious artist than this piece allows.

At the City Museum & Art Gallery, the Trustee Savings Bank has been showing studies for this and the city's other recent public works of art, along with maquette proposals for a sculpture to stand outside its new headquarters in Victoria Square. The £70,000 scheme, invokes the one per cent for Art principle for the very first time in this country. Working with the Public Art Commissions Agency, the TSB invited five artists to submit – Antony Gormley, Phillip King, Paul de Monchaux, Athena Tacha and Miles Davies. We shall see.

But Birmingham's Art Gallery itself is still its greatest public cultural resource and treasure, and all held for the public good – a truth which the City Council has at last taken in. Its current exhibition, *French Impressionism: Treasures from the Midlands* (until August 18), draws largely upon its strength in that area, but there is more to it than that.

The curator of the exhibition is Richard Verdi, since last autumn Barber Professor of Fine Art at Birmingham University. Under his three illustrious predecessors, the Barber and its extraordinary collections have been, to quiet academic scandal, one of art scholarship's best kept secrets. Verdi has set himself to make immediate amends. The undergraduate course has been reinstated, the collection as a whole rehung, necessary conservation set in train and a policy of thematic study exhibitions begun. The first of the, a consideration of landscape from Cima to Monet is already on the wall.

If the show at the City Art Gallery plays to its own strengths, it is matched trick for trick by the Barber's contribution. It is not a large show, some 66 works in all including works on paper, but it is particular in both choice and quality, and full of surprises, from Courbet, Daubigny and the young Degas, to Bonnard, Vuillard and Denis. This policy of mutually beneficial collaboration is set to continue, with the Barber ever raising its distinguished profile as it makes the great works it holds more readily accessible. It is a move of real and lasting significance.

The Ikon Gallery (58 John Bright Street) is between shows, having just closed its double bill of *With this Ring*, a mixed show on the theme of marriage and *The Honeymoon Project* by Miralda, which was a positive exercise involving local participation of all kinds, from processions and events to the making of objects. The Project itself, seven years long, celebrates the mystical marriage of the old world with the new, and ends next year on the 500th anniversary of Columbus' landfall in the Americas. Birmingham's wedding gift will be the huge eternity ring for Miss Liberty's finger, that was at the centre of the Ikon show.

Finally, a word on Midlands Contemporary Art, which is Birmingham's only such private gallery. It is now showing three South African painters, Clifford Mpai, Karel Nel and Sheila Nowers (57 George Street: 021 233 9818: until July 5), in exchange for three gallery artists shown at the Karen McKerron Gallery in Johannesburg. Nel's refined mystical abstraction and Mpai's self-taught village imagery are alike remarkable. Midlands Contemporary does not have a continuous exhibition programme, but appointments may always be made by telephone.

'Woman in Black' by Mary Cassatt, c.881, at the Birmingham Art Gallery

Last call for coffee

WIGMORE HALL

From today the Wigmore will be shut for more than a year, to the distress of many music-lovers. For a while, we are losing London's best chamber-venue, the favourite of innumerable soloists and ensembles. Besides the big recitals, we also lose a smaller-scale institution which has generated intense loyalty over several years: the Sunday Morning Coffee Concerts. At a fixed length of one hour, they have developed from lightweight salon-programmes to very substantial stuff, for their audiences proved ready and eager to listen to real music at 11.30 am of a Sunday. The original fillip of offering free sherry, fruit juice or coffee at the end was probably meant to hearten modest little audiences, but nowadays the foyer can scarcely contain the scrum.

Last Sunday offered the last Coffee Concert until late next year, and deservedly it was packed. Somebody had had the inspiration of inviting two grown-up prodigies, the violinist Joshua Bell (now 24) and the cellist Steven Isserlis (thirtysomething), each to play some solo Bach before collaborating in Ravel. Isserlis chose the First Cello Suite in G; he explored it intimately, without show, but with an inspired rhythmic freedom which set Bach's teeming invention in brilliant relief.

Bell chose the great D minor Chaconne. It was a nervy, intelligent reading, though it stood in the shadow of young Maxim Vengerov's full-blooded assault on the piece in this same hall a month ago. (As they grow up, prodigies have to face the fact that the latest prodigies will dazzle more.) Bell now pursues a wider musical range with the utmost seriousness; he mustn't forget, all the same, that he is a *violinist* of phenomenal gifts. Granted such a talent, one shouldn't sell it short. An unabashed virtuoso can still be a serious musician too, and even – as audiences generally think – a better one on that account.

Isserlis too is a reluctant virtuoso. Happily, Ravel's 1922 Sonata for unaccompanied violin and cello demands extreme virtuosity for the toughest, most cogent musical reasons. Thus absolved, these performers let themselves off the leash and fairly tore into the Sonata. Its rhythmic elements were steel-sprung and dangerous, its intellectual structure (perhaps Ravel's least ingratiating, probably his most self-consciously intricate, arguably his tightest and best) rendered eerily lucid. British books on music have regularly dismissed this work as "dry" and "laboured"; Bell and Isserlis brought it to passionate cross-grained life.

David Murray

Kurt Weill Revue

THEATRE DE L'EUROPE, PARIS

Among the shiploads of artists, composers and writers who left Nazi Berlin for free America in the 1930s, how diverse was the cultural fall-out: from love-hate of the new-found land in Nabokov's *Lolita* to the absorbtion, honky-tonk satire and all of Kurt Weill's Weimar songs into anodyne Broadway glitz.

Kurt Weill Revue, a "Europroduction" in French, German and English which I caught on tour from Berlin at the Théâtre de l'Europe, is a musical biography of the composer's years in Berlin, Paris and New York. A singalong to the overnight Americanising of Weill, it shrieks out one relentless question: how could the man who composed Mack-the-Knife and the Alabama song in the opera *Mahagonny* have ended up writing pap musicals like *Lady in the Dark* 20 years later?

But it never attempts an answer. How could it? – for Helmut Bauman and Jurg Burth's production turns some of the wittiest and idealistic music composed in the 1920s into timeless pap musical itself. Weill fans will shrivel in disappointment, Broadway addicts squirm with delight. Bauman and Burth laugh-off artistic development or even undevelopment and present German and American years alike as muzak just differentiated by the corny *zeitgeist* personae – budding Nazis versus Broadway stars – of their dancers.

And yet ... Weill fans will also grin at having endured the vulgarities because sandwiched in between is a revelation: appropriately for this first showing in France, a 40-minute sketch of the lesser-known Parisian songs performed with delicacy and feeling in a perfect setting.

First, the compliments. Cusch Jung and Hana Hegerova have trembling, tender voices which catch the tone of Weill as sentimental exile and combine it with irony in the French songs – "Youkali", "Complainte de la Seine" and "J'attends un Navire" – of the 1930s. Jung, in bold mood, beret and shabby Depression clothes, and Hegerova, trying to be smart with a mink stole, wind around a stageful of cafe tables, broken speculators reading the papers, *philosophes* staring into space; behind them snow flutters down against a black backcloth.

It's simple, intimate, hopeful/sad, and shows just how much, with a lighter touch, could have been achieved throughout with the raw material of Weill's music. Instead, Bauman and Burth set waistcoated-men in tights pirouetting to a wordless Canon Song while singers screech out *Mahagonny's* Love Duet to the ritualised kicks, punches of choreographed sadism. Is it ballet, Jive Bunny or a neon nasty? It certainly comes no closer to the Weill-and-Brecht of Weimar than the final part of this misguided production, when the waistcoated spinners take up shorts and tennis rackets and serenade starlets around the pool.

Weill never found a lyricist to inspire him as Brecht had done. But one extract from the Broadway years, "Moonfaced, Starry-eyed" from *Street Scene* recalls the ragtime wit of the Berlin period while also anticipating the sophisticated rhythms and razzmatazz of Bernstein. On Broadway, nothing Weill wrote had the sustained dramatic vision of, say, Bernstein's *West Side Story* and his old collaborator, Brecht, called him "this false Richard Strauss." In the right hands, his musical biography could make fascinating theatre; here, we have only this false Kurt Weill.

Jackie Wullschlager

Rita Hunter

BARBICAN HALL

Larger than ever, this well-loved soprano is making one of her rare return visits from Australia. On Sunday she had the London Symphony to support her in an all-Wagner concert (sponsored by the Peter Stuyvesant Foundation). Really unstinting support: as well as a quartet of authentic Wagner tubas, there were five trombones and four harps in the large orchestra that surrounded her – more than many opera-houses would feel bound to lay on. Yet it did not, by a long way, make an ideal showcase.

Miss Hunter sang Isolde's "Liebestod" and Brünnhilde's Immolation Scene, of course. The one was preceded by the +Tristan+ Prelude, and before that by chunks of +Die Meistersinger+ in a peculiar order (the Act 3 Prelude, the dances of the Apprentices and then the Act 1 Prelude). The other was introduced by bits and pieces of +Götterdämmerung+ Rhine Journey and Funeral March, "Dawn" and the "Death of Siegfried" without the crucial voices. The programme-notes had much to say about the three operas, but left newcomers in the dark about exactly which parts of them were represented in the concert music.

Evidently the event was planned for a "popular" audience of Hunter fans (serious Wagnerians don't much like "bleeding chunks"); but then it was perverse to deny them the all-important words of the long, dramatic Immolation. The choice of conductor was slightly perverse too. The cosmopolitan Rafael Frühbeck de Burgos is a seasoned professional, with a taste for crisp effects, clean lines and up-tempo delivery – very nearly the polar opposite of Miss Hunter's benign Svengali, the late Reginald Goodall. Again and again, de Burgos hustled her along just where she knows how to expand most beautifully.

She had little chance to register anything but generalised feeling in his efficient "Liebestod", before he let the LSO swallow her up without remorse. (Has he noticed that Wagner marked the climax at a mere +forte+?) The Immolation brought us the artist we know and love: brave, poignant, candidly expressive – with a weighty new growl in the low reaches, suggesting a dimension of the role she used not to explore.

In Brünnhilde's final pages, however, where this singer was wont to glow and soar and seize the heart, de Burgos switched ruthlessly into high gear. The orchestra roared away, submerging the soprano in the onslaught; whereupon the conductor applied an abrupt brake – just when the real apocalypse should begin! – and let the rest wind down tamely, albeit very loudly. It was sad to remember how this music once sounded in Goodall's steady, long-sighted view, and how generously he made room for Miss Hunter's lovely, selfless dedication.

David Murray

Opera in St Louis

The other operas of the St. Louis season – apart from the *Ariadne* already reviewed here – were the Leoncavallo *Bohème*, Mozart's *Mitridate*, and *Eugene Onegin*. The spielplan is so arranged that on three-day weekend visits to the city all four operas can be seen.

The "other *Bohème*" had its premiere in Venice, in 1897, a year after Puccini's opera had appeared in Turin. (It was done at the Fenice, while Puccini's opera played at the San Benedetto.) Mahler, newly appointed to Vienna, was sent to hear both, and report. He found Puccini's music novel but easy to understand, and praised the orchestration, the vocal writing, and the libretto. But Leoncavallo's music, he said, was "without originality, and poor in inspiration, despite all the technical refinements," while the libretto was boring for two acts, and in the third "sentimental in the worse sense of the word, even lewd."

The lewdness is no longer troubling. (Even Puccini's opera, when it reached New York, was declared by Krehbiel, in the *Tribune*, to be "foul" in subject.) For the rest, posterity has endorsed Mahler's verdict. Yet people feel curiosity about the Leoncavallo version, so from time to time it is revived. Musette and Marcello (mezzo and tenor) are the principal pair, until at the close Mimì and Rodolfo (soprano and baritone) move centrestage. Schaunard is also a leading role (Leoncavallo had Maurel, the first Falstaff, in mind for it), and more characters (Eufemia, Schaunard's mistress; the Viscount for whom Mimi deserts Rodolfo) appear.

Leoncavallo kept closer to the sketch-like quality of Murger's *Scènes* than Puccini and his librettists did; his drama is diffuse, unfocussed. So is a score that pays homage to *Falstaff*, to the *Tristan* prelude, and to Massenet, but achieves nothing memorable. St. Louis did pretty well by the work. Charlotte Hellekant and Elisabeth Comeaux were delicate as Musette and Mimì; Allan Glassman (Marcello), Motti Kaston (Rodolfo), and Kenn Woodward (Schaunard) were lively but often needlessly loud, and so was the orchestra, flowingly conducted by Andrew Litton.

Onegin was given a loving, sensitive, straightforward production by Colin Graham. (Rare to be able to use those adjectives today! The New York City Opera has just announced a *Traviata* with Violetta a call-girl in contemporary Paris and a *Cav/Pag* set in New York's Little Italy as its first new productions.) I've never been altogether happy with David Lloyd-Jones's *Onegin* translation, first heard at Covent Garden 20 years ago – "Are you an angel sent to guard me?/Or will you tempt and then discard me?/Could all my dream be self-delusion? Has Fare prepared its own conclusion?" as the climax of the Letter – but then Rosa Newmarch and Dentalso had their jingling and jarring moments. Gwynne Geyer and Dwayne Croft were a well studied but not very moving Tatiana and Onegin; Paul Groves was an emotional and affecting Lensky.

Mitridate (in its first American staging) succeeded better than – I can now confess – I'd dared to hope while making the translation that was used. St. Louis had found fluent and fearless sopranos and mezzos for the high roles (the sopranos Brenda Harris, Alison England, and Jungwon Park, the mezzos Kristine Jepson and – best of allPatricia Spence), unfazed by the extravagant coloratura, eager to decorate it still further. As Mithradates (whose final aria has seven top C's), Martin Thompson – last year's Peter Grimes – was bold, if less fluent.

Ken Cazan, the producer, and Tom Hennes, the designer, had set the piece in the modern Yemen, and, with surprisingly few anachronistic jerks, a drama of emotional, dynastic, and military crises took shape against a background of fanatic opposition to Western superior might and complacent pride. What I had feared might prove just a sequence of long florid arias proved theatrically arresting; I'd underrated – but Cazan hadn't – the dramatic flair that Mozart even at the age of 14 possessed in abundance. A doubter might present *Mitridate* today as a costumed concert of magnificent music. St. Louis, with conviction, offered a drama.

Andrew Porter

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

ATHENS

Herod Atticus Theatre 21.00 Nana Mouskouri in concert with the Athens State Orchestra. Fri, Sat and Sun: Royal Ballet of Flanders presents Nureyev production of Don Quixote, with Irek Mukhamedov scheduled to appear as guest artist (322 1459)
Lycabettus Theatre 21.00 Cosmas Galileas conducts Municipal Orchestra of Thessaloniki in music by Beethoven, Mozart and Vassiliadis. Fri and Sat: concert of Greek traditional music with Panayiotis Mylonas (322 1459)

BARCELONA
Gran Teatre del Liceu 21.00 Uwe Mund conducts Goran Jarvefelt's production of Die Zauberflöte, with Kurt Moll as Sarastro and Francsico Araiza as Tamino, also Thurs and Sat. Fri: Alfredo Kraus sings opera arias (412 1466)

■ BERLIN

MUSIC
Staatsoper unter den Linden 19.30 Heinz Fricke conducts Die lustigen Weiber von Windsor, comic opera by Nicolai. Tomorrow and Thurs: concert by the Berlin Staatskapelle in the Schauspielhaus. Thurs: Udo Zimmermann's Weisse Rose. Fri: Swan Lake. Sat: I vespri siciliani (2004 762)
Deutsche Oper 19.30 Franz Welser-Möst conducts Ponnelle production of Fidelio, with Sabine Hass as Leonore, James King as Florestan, Hartmut Welker as Pizarro and Michal Shamir as Marzelline. Tomorrow and Sat: Der Freischütz. Thurs: Le nozze di Figaro (3410 249)

THEATRE
This week's repertory at the Berliner Ensemble begins with Georg Seidl's play Villa Jugend tonight, Brecht's Schweyk tomorrow, The Threepenny Opera on Thurs, a Kurt Weill evening on Fri, Mother Courage on Sat and The Good Person of Sezchuan on Sun (2827 712). The Deutsches Theater has Goldoni's The Servant of Two Masters tonight and Ionesco's The Bald Prima Donna on Sun (2871 225), while the Kammerspiele is showing Ibsen's John Gabriel Borkman tomorrow and G.B. Shaw's Heartbreak House on Fri (2871 226). The Volksbühne repertory includes Shakespeare's The Comedy of Errors (tonight and Thurs) and plays by Sean O'Casey, Schiller and Neil Simon (2082 748). In the western part of the city the Schiller Theater has Lessing's Minna von Barnhelm tonight, Petér Turrini's Death and Devil tomorrow and Schiller's Robbers on Sat (3195 236)

■ BONN

Oper 20.00 Rudolf Kreomer conducts The Bartered Bride, sung in German, with a cast including Ana Pusar and Alfred Muff, also Thurs, Sat and next Mon. Tomorrow: Swan Lake (773667). Fri in Beethovenhalle: Dennis Russell Davies and the Orchestra of the Beethovenhalle join the Dave Brubeck Band in an evening of Brubeck compositions and improvisations (773666)

■ LONDON

MUSIC AND DANCE
Coliseum 19.30 English National Ballet in John Cranko's Onegin. Repeated tomorrow (071 836 3161)
Covent Garden 19.30 Anne Sofie von Otter sings Angelina in Michael Hampe's production of La Cenerentola conducted by Carlo Rizzi. The production runs till July 25, with next performances July 9 and 12. Tomorrow: Mark Ermler conducts Attila. Fri: Harry Kupfer's production of Gluck's Orfeo. Sat: Maria Ewing and Placido Domingo in Tosca (071 240 1066)
Royal Festival Hall 19.30 Giuseppe Sinopoli conducts the Philharmonia Orchestra and Chorus in Verdi's Requiem, with soloists Aprile Millo, Waltraud Meier, Dennis O'Neill and Ferruccio Furlanetto. The Festival Hall programme for the rest of the week is devoted to the National Festival of Music for Youth (071 928 8800)

THEATRE
Musicals
70 Girls 70 at the Vaudeville is an evening of harmless fun and great amusement, written by Kander and Ebb (of Cabaret and New York, New York) and distinguished by Dora Bryan's superb performance as Ida.
Simon Callow's classy production of the Hammerstein/Bizet all-black musical Carmen Jones at the Old Vic is proving to be a durable West End hit.
Jason Donovan, of the TV soap opera Neighbours, stars in a thoroughly professional revival of the early Andrew Lloyd Webber/Tim Rice musical Joseph and the Amazing Technicolour Dreamcoat.
Susan Hampshire and David Yip star in a revival of the Rodgers and Hammerstein musical The King and I, at Sadler's Wells till July 13.
Phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MILAN

Teatro alla Scala 20.00 Last performance this season of Franco Zeffirelli's production of La bohème conducted by Armando Gatto, with a cast led by Mirella Freni and Roberto Alagna. Thurs, Sat and next Mon: Muti conducts Attila (7200 3744)

■ NEW YORK

THEATRE
Off Broadway
The Sum of Us is David Stevens' award-winning play, directed by Kevin Dowling, about the relationship between an understanding, widowed father and his homosexual son living under the same roof (Cherry Lane Theater, 38 Commerce Street, tel 989 2020)
Othello is a free Shakespeare in the Park production with Raul Julia in the title role and Christopher Walken as Iago (tickets are distributed one per person at 18.15 at the Delacorte Theater. Enter Central Park West at Eighty-first Street or East at Seventy-ninth Street and Fifth Avenue, tel 861 7277)
Forever Plaid is a musical comedy, written and directed by Stuart Ross, about a semi-professional harmony group who have a fatal car accident on the night of their first concert, and are allowed one night back on earth to do the show they never did while alive (Steve McGraw's, 158 West Seventy-second Street, tel 595 7400)
Georgy, based on the novel by Margaret Forster, tells of the girl whose life is complicated by her swinging room-mate, a relationship with her friend's boyfriend and the lecherous advances of her father's wealthy employer (Wings Theater, 154 Christopher Street, tel 627 2961)
Ticketron answers inquiries and sells tickets for Broadway shows (246 0102)

MUSIC
Metropolitan Opera 20.00 Bolshoy Opera production of Rimsky-Korsakov's opera-ballet Mlada. Tomorrow and Fri: Tchaikovsky's Maid of Orleans (362 6000)

■ PARIS

Opéra Comique 19.30 Two Offenbach one-act operettas - Une demoiselle en loterie and La rose de Saint Flour - staged by Guy Coutance and conducted by Dominique Debart. Also tomorrow (4286 8883)
A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

■ ROME

Accademia Tedesca, Villa Massimo 21.30 Hans Werner Henze conducts a programme of his own music with Ensemble Modern. Thurs: Ensemble Modern provides live accompaniment for Friedrich Murnau's film Tabu, with music by Violeta Dinescu. The Romaeuropa Festival, which continues till July 25, is also co-sponsor with the Soviet embassy of a piano recital by Dmitri Alexeev on Fri at Villa Abamelec (6795 370). Tomorrow: Caracalla summer music festival opens with Aida (488 3641)

■ SPOLETO

Teatro Caio Melisso 20.00 Paolo Carignani conducts first night of Gian Carlo Menotti's new production of Le nozze di Figaro, with decor by Emilio Carcano and costumes by Claudie Gastine. Runs till July 13, with next performances on Thurs and Sun. Tomorrow and Sun in Teatro Nuovo: first European production of Menotti's opera Goya
San Nicolo 16.00 Gunter Kramer's Cologne production of The Threepenny Opera. Runs till Sat
The Spoleto Festival runs till July 14. Phone (0743) 44097 for ticket information

■ ZURICH

Hallenstadion 20.00 Heinz Spoerli and Maurice Béjart present a double-bill of new ballets in honour of Switzerland's 700th anniversary: Spoerli's Basle Ballet in Fondue and Béjart Ballet Lausanne in La Tour. Repeated tomorrow and Thurs (311 3030)
Opernhaus 19.30 Final performance of John Cage's music-theatre extravaganza Europeras. Tomorrow: ballets by Uwe Scholz and Pierre Wyss. (251 0909)

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Tuesday July 2 1991

Tokyo follows the market

THE modest cut in Japanese interest rates announced yesterday – *a quarter point less* than the increase imposed in August last year – shows nice judgment. It was clearly intended to rally the stock market, where further falls would have started to erode the banks' core capital, without weakening the currency, and achieved both objectives without difficulty. It also gives an encouraging signal to those planning output and investment, without the slightest danger of blowing up a new financial bubble.

The Tokyo market has in *fact been looking for a discount* rate cut for more than two months, and the official move brings the central bank into line with the market: its importance is much more psychological than economic. Friday's disappointing news about *retail price inflation, which* rose to 3.5 per cent year on year from 3.1 per cent, seemed to argue for delay; but wholesale prices have been entirely stable for six months, wage pressures are very moderate, and investment intentions have weakened markedly.

Meanwhile the stock market was displaying something approaching panic due to the dealing scandal. The Bank of Japan understandably put financial stability first; the scandal, in fact, gave it the freedom to make a cut which it might otherwise have regarded as risky.

Stable aim

There seems little possibility of a stock market bubble; and lest there be any misunderstanding of *their wishes*, the authorities coupled the rate cut with an announcement that credit for land purchase would still be tightly restricted. The aim is stability, not a renewed bull market.

The move shows the new *Group of Seven approach in* action, as Finance Minister Hashimoto explicitly acknowledged *after the announcement*. The last G7 communiqué, which he quoted, called on members to base policy on their own domestic needs, taking exchange rate constraints into account. This seemed to mark the end of policy co-ordination and exchange market management, and the beginning of a new period of responsible self-interest.

Healthy change

This is a healthy and realistic change; it recognises that currency markets, like lively children, can behave more perversely when they are "managed" than when they are treated like grown-ups. Dealers should in future treat the G7 *timetable* with benign neglect.

The Japanese lead in independent policy-making may make it rather easier for the British and German authorities to respond to domestic priorities. The experience of the US, and now possibly of Japan, suggests that well-designed and responsible domestic policies do more to support exchange market values than do interest rate differentials.

More than anything else, investors might be encouraged to know that Germany will contain the costs of reunification at home, and that British policy will aim to stabilise the economy before political panic sets in.

A low-key approach to the exchange markets clearly involve greater risks within the constraints of the ERM than in the much looser G7 context; but as Tokyo's initiative shows, caution need not mean total immobility.

It is when governments persistently hold back policy adjustments which the markets have long discounted that nerves *get frayed*.

Muddling on to Maastricht

MR JOHN MAJOR professed himself well satisfied yesterday with the results of the Luxembourg summit. That satisfaction is justified in so far as his chosen strategy worked. The meeting confined itself to "stock-taking", leaving the most contentious issues in the two inter-governmental conferences to be settled before, or more probably at, the next regular meeting of the European Council, at Maastricht in December. But such a strategy is justifiable only if he and his European colleagues put the time between now and December to good use.

On economic and monetary union (Emu), the way to a generally acceptable compromise is now fairly clear. The treaty will say that no member state is obliged to join the union unless and until it so decides. This will enable Mr Major to claim that he has avoided an "imposed" single currency, since the House of Commons *will take the ultimate decision* – although the original British idea, that individuals should make the choice between the Ecu and their national currencies, in a free market, has been quietly dropped. The main points still to be decided are *the degree of economic convergence* required before Emu can start, and how the independence of the European central bank should be reconciled with its accountability to "an elected body".

Rigid separation

The shape of European political union is not so clear. Mr Major would be well advised to devote less of his energy to keeping the word "federal" (which may mean anything or nothing) out of the treaty, and *more to thinking how a common* foreign and security policy would actually work. For the treaty as now drafted is unlikely to deliver such a policy and what is wrong with it is the very thing that Mr Major professes to like best: the rigid separation it maintains between Community affairs, in which the Commission has "sole right of initiative", and other aspects of the union in which it does not.

Reluctance shared

That consideration relates to a legislative process which is scarcely relevant to foreign policy. What foreign policy requires is a foreign ministry, able to follow events continuously and formulate policy as and when required, not only when communiqués have to be prepared for summit meetings. The British and French governments share a reluctance to entrust that function to the Commission (although the Commission already runs important commercial and economic aspects of foreign policy, which most of the time are the most important). So be it, but they should propose a workable alternative.

Similarly, Mr Major did well to raise the immigration issue at Luxembourg, but he cannot expect it to be dealt with seriously while his officials are *still briefing journalists* (presumably with an eye to backbench Conservative opinion) to the effect that "we cannot allow the German interior minister to decide who has the right to settle in Britain". In 18 months there will be free movement within the Community, and in practice this is going to make it difficult to stop third country nationals from living where they choose, once inside the common external frontier. The Community will need to adopt common rules both for deciding who *should be admitted* and for making sure that those not admitted are kept out. The treaty on political union must enable it to do so.

Water works

WATER INDUSTRY pre-tax profits for 1990-91 surpassed expectations by £238m or 20 per cent. That dividends were in line with expectations despite this rise reflects the vigilance of the regulator, Mr *Ian Byatt of Ofwat. When big* profit rises were predicted in March he sent a warning letter to the companies. They took the hint and raised the profit ploughed back into the business from 54 to 62 per cent.

Mr Byatt has rightly suggested that companies which have enjoyed high profits consider raising their prices next April by less than the amount permitted under the pricing formula. Shareholders deserve to benefit where operating costs are reduced through efficiency improvements – but so too do the hard-pressed customers in this *highly monopolistic industry*. Only sprightly regulation can make sure this happens.

Regulators also need to keep an eye on their charges' expenditure. One electricity company, Southern Electric, has reduced pre-tax profits by a £19m boost to its pension fund. Most utilities have killed the fatted calf on executive pay. A regulator's work is never done.

Three documents herald the end of the Soviet socialist system, writes **John Lloyd**, and their proposed alternatives are revolutionary

New clothes for a threadbare union

For the first time in the history of the Soviet Union, fundamental change is being proposed in every one of its pillars: in its economy, its constitution and in the ideology and power of its ruling Communist party.

By calculation or by chance, President Mikhail Gorbachev has put explosive charges below the foundations of state and party power, and has lit the fuses. These may sputter out: he may himself lose his nerve and stamp on them, as he has before; *or others may do that job for him*. But in the 60th year of his life and the sixth of his power, he has set new benchmarks for change.

Mr Gorbachev spent much of his time earlier this year listening to calls for his resignation from radicals; now he hears the same from the hardliners. He has remained, for the moment, indispensable to the political process: though over-cautious for the radicals, over-radical for the conservatives, he remains the embodiment of the union, the guarantee against civil strife and the emblem of change for the world. There has been no serious move against him because all the seri*ous political movements need him*.

But before now, Mr Gorbachev the reformer had not swallowed the logic of what he had unleashed; never been prepared to cast aside a hope that socialism could "use" market elements to become more efficient, while remaining wholly socialist; never accepted that some of the 15 Soviet republics might wish to leave the union, while others would only stay if it were the loosest of federations.

Three documents now attest to the fact that he is moving towards making these choices:

● The first is the Yavlinsky Plan, the programme for economic reform drawn up by Mr Grigory Yavlinsky, the former Russian deputy prime minister, in association with a group of American policy intellectuals under the aegis of the Kennedy School of Government at Harvard University. That a Soviet economist with no official position should form an alliance with a group of right-of-centre scholars in an institution known for its close relations with both main US parties – and then have the fruits of this co-operation welcomed by the president of the Soviet Union, is miraculous enough.

More remarkable still is its content. *The Window of Opportunity (its* English title), is a rapid march to the market with western assistance, with no concessions to socialism, or even to much social welfare. "Freedom is the bottom line," says the plan. "In economics, the core value of freedom is exercised in a market economy based on private ownership, in which market forces of supply and demand answer the question of who produces what for whom. Ownership means the freedom to use or dispose of property as the individual chooses. Basic laws of economics tolerate no equivocation on this point, none whatsoever."

The great merit of the Yavlinsky Plan is that it is frank: it wants to create a liberal polity based on a capitalist economy. Nobody can fail to get the message, nor has anybody done so. Mr Vladimir Kryuchkov, the chairman of the KGB, has made clear he thinks it is a CIA conspiracy. The hardline Soyuz (union) group of Supreme Soviet deputies believes it part of a plan to destroy the state. Mr Valentin Pavlov, the prime minister, seems to believe it is a plot to destroy him – and has reacted first by dismissing it, then by embracing it, and most recently by simultaneously embracing and dismissing it.

The resistance which it has stimulated in the Soviet Union, though increasingly fierce, is only part of its problem. The larger part lies in the nature of the plan itself. Unlike the government's present anti-crisis plan, and all previous programmes, it explicitly requires a partner: the rich western governments, which are called upon to play the role of advis*ers, co-operators – and donors*. By sending out signals that he approves of this strategy, Mr Gorbachev has made himself dependent on a response from the west.

The hardliners to his right and left, many deputies in the Supreme Soviet, the prime minister and much of the administration, have all warned that the west will give nothing and that the Yavlinsky Plan is an illusion. If they are seen to be right, Mr Gorbachev will be exposed as a pro-western fool: a dangerous position for him, when he remains open to the charge that he "lost" eastern Europe, allowed Germany to re-unite, destroyed the Warsaw Pact and has less than nothing to show for it in the economy. It could be the end of him.

● The success of any radical economic plan depends upon an agreement among the republics to co-operate on economic policy – and for those who wish to remain part of the Soviet Union, that depends on the signing of a Union Treaty. A draft of this is the second document to shake the Soviet Union, now being discussed in the republican parliaments.

This document is in some ways more extraordinary than the Yavlinsky Plan. It has emerged from the new alignment of political forces which Mr Gorbachev created when he allied himself with Mr Boris Yeltsin, now the president-elect of Russia and an avowed anti-communist, and other republican presidents in the so-called "Nine plus One" agreement. For the first time in centuries, the rulers of the Soviet/Russian empire have found *themselves dealing with leaders* within their borders on terms other than *force majeure*.

The Union Treaty was thrashed through at meetings of the Federation Council, which brings together the leaders of those republics wishing to become part of a renewed union. These include the two largest, Russia and the Ukraine which, with Belorussia, constitute the Slavic core of the Soviet Union; the five central Asian republics, except Kazakhstan; and Azerbaijan, where a nationalist Communist party still rules and which sees in the Union Treaty a guarantee of existing borders – including those which will keep the Armenian-populated enclave of Nagorno Karabakh within its jurisdiction.

Armenia will not sign the treaty for exactly that reason: neighbouring Georgia, with the western republic of Moldavia and the three Baltic republics of Estonia, Latvia and Lithuania are now under the command of nationalist movements which want no compromise with the centre on constitutional matters.

Yet it is a radical piece of work, albeit with significant silences and even more significant confusions. At its base, it reverses the theory and practice of the present Soviet constitution, in which power flowed out from the centre. In the draft, power is explicitly given to the centre by the republics for limited "services" – such as foreign affairs, defence and the national budget. It repeatedly stresses that the republics have "full political power", and that the form of their government must be democratic. *It lays down elections for the union* president, and says he cannot serve for more than two five-year terms.

Its problems are that it is playing to audiences which, at their extremes, are irreconcilable. The nationalists and radicals want no union at all; the moderates among them will compromise on a union with almost no powers – for example, they wish to retain all tax-raising powers in their own hands, depriving the centre of independent taxation to fund its activities.

Conversely, the defenders of the union – the Soyuz group, the Communist party, the armed and security forces, and all those whose existence, position and privileges derive from the union, see the draft treaty as a sell-out, a concession to forces which should long ago have been confronted and suppressed.

The most vocal in this argument have been Supreme Soviet deputies. They have seen what power they could exercise leeched away to the Federation Council; they have seen published the Yavlinsky Plan and a draft treaty which both lay down elections for their seats within the year; and they see the base of their power passing to the republics. They have, until now, followed Mr Gorbachev: but now, they see him as a threat.

● The final, potentially historic document is the draft programme of the Communist party. It would have had pride of place a few years ago, when the party still commanded every height. Now, it is more than a curiosity but less than momentous. It wholly changes the tone and substance of the previous programme, issued as recently as 1986. That programme claimed to be preparing the ground for "the planned and all-round perfection of socialism, for Soviet society's further advance to communism through the country's accelerated *socio-economic development*". This one cedes to capitalism the creation of a world system, and sees the party's role as one which fights in the political marketplace for a left-of-centre position which proposed a role for public ownership and the need for social protection.

"The party," it says, "must master all the multiplicity of forms of parliamentary activity"; "the party will co-operate with movements which agree with its programmes ... and those who do not agree"; "the party ... calls for the separation of economic activity from state management".

This is the collapse of a once-rigid ideology: but it is a collapse from a position of terrible weakness. The Communists were trounced in the elections last month for Russian president and mayors of Leningrad and Moscow. The party is plunging to impotence: its general secretary is negotiating with its enemies; its senior apparatchiks are privatising its property; its youth wing is the core of the Soviet Union's growing entrepreneurial movement; its old believers rail against the centre and demand special congresses; its reformists speculate about a split and alliance with the democratic movements.

It is still a vast organism, of about 18m people, with vast assets and with its people running almost everything in the centre. Unlike the Communist parties of east/central Europe, it is the mother of all parties and has nobody else to blame, and nowhere else to go.

The movements which have pro*duced these three blueprints for* change may well not go the way they point. Mr Gorbachev has a terrible penchant for trying to square circles: he has threatened to do so with the rival plans on the economy, which means he will turn up in London to ask for assistance on the basis of a *hodge-podge which not the most* enthusiastic Gorbyphile could buy.

The Union Treaty is even more at hazard. There are dozens of galleries to which it must play – in the union and autonomous republics across the great land mass, where local legislators, sensing the centre's weakness, demand that it weakens even further and that their strength grows. Many of these newly powerful leaders grasp that political power will mean power over their resources, which are in some cases considerable.

Already, Ukraine has refused to sign the treaty until much later this year; Russia is not likely to move more quickly: and even the friends of the Union Treaty, like President Nursultan Nazarbayev of Kazakhstan, speak of "serious reservations".

This vast undertaking is being rushed through: it will need more time if it is to work. Nor will the party quietly slink away like the Polish, Hungarian and Czechoslovak parties. It has enough cadres to mount a fight, and enough property to make the fight worthwhile. Mr Gorbachev will either have to lead a transformed and cleansed organisation – or, as he is more and more advised to do, leave it for a new political support mechanism, if he wishes to succeed in the first elections for a Soviet president.

But the party is coming to an end, as is the system of Soviet socialist power which Mr Gorbachev had worked so hard to renew and which he must now work so hard to transform. Party, union, economy: the greatest of these was party, and it is now failing. The union was indissoluble, unshakeable, and it is now dissolving. The economy was to lay the base for an earthly paradise, and it now cries for capitalism to save it. In these three documents there is written the death of a system: the birth of a new one is less clearly foretold, but we know it will be painful.

OBSERVER

Wind and weather

■ The hovercraft was a Great British invention which never really took off. Yesterday the death-knell for the busiest hovercraft service was rung when Hoverspeed put into service the first of a fleet of SeaCat wave-piercing catamarans which are to take over the Dover-Calais and Dover-Boulogne routes.

SeaCats - the world's biggest catamarans, each holding 450 passengers and 80 cars - are supposed to revolutionise cross-Channel travel. But since they're slower than hovercraft, which never carved out more than a small niche in the cross-Channel market, what chance do they stand against the Channel tunnel?

James Sherwood, irrepressible president of Hoverspeed's parent Sea Containers, greeted the first passenger-carrying SeaCat's arrival in Boulogne with the vow that the wave-piercers would match the tunnel for speed of crossing and price. They'd also offer much more comfort than being cooped up, like a Russian doll, inside a car inside a train inside a tunnel, he said.

But what about last year's debacle, the cynic will ask, when a SeaCat used experimentally on the Portsmouth-Cherbourg route had its passengers and crew heaving in the aisles?

Hoverspeed appears to have found an efficacious, if drastic, remedy. On the little paper bags that bedeck the passenger cabin is written: "In case of sickness, please call a member of the cabin crew for disposal."

Sits vac

■ Fine-tuning the world economy is not the only task facing the Group of 10 central bank governors at their monthly meeting in Basle next week. The agenda also requires them to fill two key jobs.

On Monday, they will choose a new chairman of the Basle committee, the international banking supervisors' talking shop. The vacancy arose with the recent death of previous chairman Huib Muller of the Netherlands.

The senior member is Stig Danielsson, the Swedish representative. But he is 64 and so approaching retirement. Among other candidates, the Americans are thought to be too busy rescuing their own banking system from disaster, the Brits have already held the chairmanship twice, and the Japanese are probably not quite ready for it. Which leaves the Continentals.

On Tuesday, the EC central governors will go into a separate huddle to elect a new chairman for their own little committee following the resignation of Karl Otto Pöhl. Front-runners are thought to be Jacques de Larosière of France, Wim Duisenberg of the Netherlands and Britain's Robin Leigh-Pemberton.

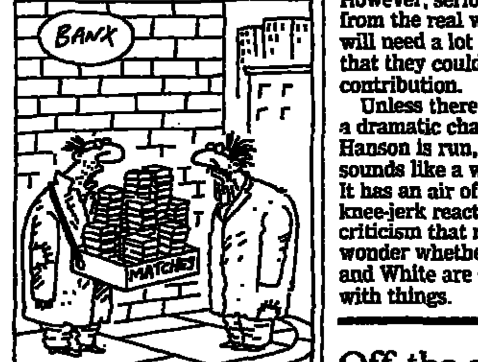
It would be a fitting end to Leigh-Pemberton's central banking career – and the Dutch and the French have more than their fair share of top jobs. But his chances are severely handicapped by the British Government's rejection of the idea of a European central bank.

Old girls club

■ What does the company secretary of Hanson have in common with the managing director of Ace Coin Equipment and the editor of Good Housekeeping? Not much apart from being invited to the first of a series of female power breakfasts at The Treasury this morning.

Gillian Shephard, a junior Treasury minister, wants to hear what lies behind the success of these female high fliers, listen to their thoughts on the economy and "explore the possibility of further initiatives."

Sounds like another vote-catching publicity stunt to me.



"It's the same everywhere, nobody's spending."

Decorations

■ Meanwhile the case of Hanson and its sudden search for some new non-executive blood is all very strange. Apparently a special search committee has been set up *headed by Sir Gordon Booth*, a retired diplomat and Hanson adviser, and we're promised that come the autumn some new non-execs should start appearing on the letter head.

One so far approached is Warren Buffett, sometimes described as the greatest investor *of all time* (although he has had the sense to turn the job down on grounds that he has enough on his plate already).

So it seems clear that Hanson is out to collect some heavyweight corporate status symbols, and given that it now regards itself as a member of the corporate establishment it should have no difficulty.

With just four board meetings a year, the job is of the well-paid and relaxing type that just might attract someone like Mrs Thatcher. However, serious contenders from the real world of business will need a lot of convincing that they could make a proper contribution.

Unless there is going to be a dramatic change in the way Hanson is run, the exercise sounds like a waste of money. It has an air of the kind of knee-jerk reaction to City criticism that makes one wonder whether Lords Hanson and White are still in tune with things.

Off the record

■ Vanity of vanities, saith the Preacher. For years we humans have been trying to ensure future civilisations won't *forget us*, by burying time capsules stuffed with such things as contemporary newsreels. It now seems, that in most cases, nobody here on earth remembers where we put them.

As a result, the International Time Capsule Society based at America's Oglethorpe University has appealed for information on the whereabouts of 10 prime examples.

Topping its list is one that may not even have gone underground in the first place – the capsule intended to *immortalise the US* bicentennial on July 4 1976, containing the signatures of 22m Americans. When the then President Ford showed up for the sealing ceremony at Valley Forge, Pennsylvania, officials found the capsule had been stolen from an unattended van.

Second on the list is the MIT Cyclotron time capsule. The problem there is not where to find it. Engineers buried it in 1939 beneath an 18-ton magnet on the campus of the Massachusetts Institute of Technology.

Alas, when they tried to recover it, they couldn't work how to get the capsule out from under the magnet.

Stock market goes back to the future

Richard Waters says the proposed monopolistic system of sole traders is unlikely to suit the OFT

The London Stock Exchange is trying to turn back the clock.

Big Bang – the moment in October 1986 when the UK's antiquated stock market was thrown open to competition – may have seemed an irreversible event. But in one significant part of its activities the exchange now plans to return to its pre-revolutionary, monopolistic days. The Office of Fair Trading, the UK's anti-trust authority, is unlikely to be amused.

The exchange's plan is to create a new category of "sole traders" on the stock market. These traders, like the jobbers before Big Bang, would have a monopolistic position – all share trades would be channelled through them. In the jargon of the exchange, trades would be "exposed" to sole traders, giving them the opportunity to participate in deals if they wanted.

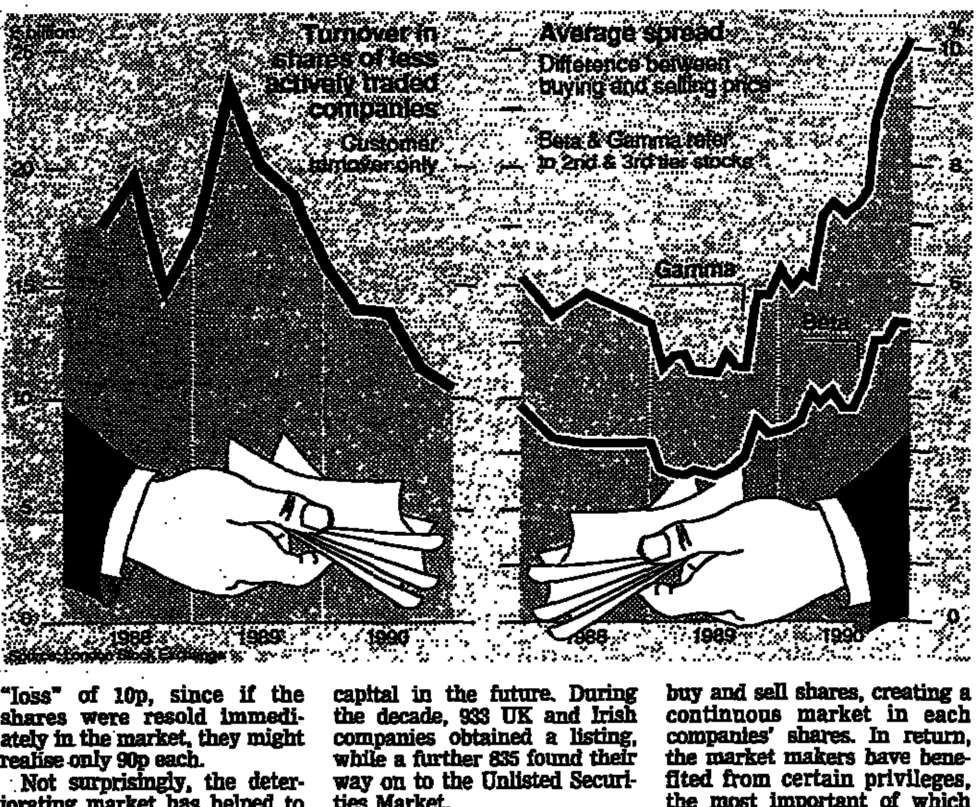
Unlike jobbers, though, sole traders would have an extra monopoly: each trader would be given exclusive rights to deal in the shares of a particular company. This would not apply to the 500 or so most heavily traded companies, whose shares would continue *to be traded on the competing* market-maker system adopted at the time of Big Bang.

The plan will reawaken the running battle between the exchange and the Office of Fair Trading. The OFT has pressed for greater competition. The exchange's response: competition is desirable, but too much competition kills the market.

The sole trader plan, which would probably apply to some 1,700 companies listed in London, is still in its infancy. The exchange has yet to consult widely with its members, and it has not told the *OFT* its plans (although the Department of Trade and Industry is said to be supportive). However, after months spent pondering how to improve the market in the shares of less heavily traded companies, the *sole trader proposal has* emerged as the exchange's preferred solution.

The deterioration in the market for these companies' shares has been acute. Before the stock market crash of October 1987, the average "touch" between what it cost to buy and sell a gamma stock (the least liquid stocks) was 3 per cent of the price. That has steadily widened, reaching a massive 10.24 per cent at the end of 1990. For some companies, the difference has grown to 20 per cent.

As this gap has opened, investors have suffered. It means that someone who buys shares at, say, £1 each, could be sitting on an instant paper "loss" of 10p, since if the shares were resold immediately in the market, they might realise only 90p each.



Not surprisingly, the deteriorating market has helped to make such shares less attractive, adding to the lack of investor interest in smaller companies prompted by the recession. While the overall volume of business on the stock market has fluctuated in the past three years, the volume of trading in less liquid *companies has fallen steeply.*

In the last quarter of 1987, £23bn worth of beta (middle-ranked stocks) and gamma stocks were traded. (These classifications were scrapped at the start of this year.) By the last quarter of 1990, this had fallen to just £10.5bn. It has become a vicious circle: worse prices have led to a fall-off in trading, which has led to even worse prices.

Does this mean that many of these companies should not have gone public? The great 1980s bull market brought the owners of private companies flooding to the stock market, eager to realise some of the value in their businesses and to create a way of raising fresh capital in the future. During the decade, 933 UK and Irish companies obtained a listing, while a further 835 found their way on to the Unlisted Securities Market.

They – and their newly acquired shareholders – are now learning together that the stock market has its downs as well as its ups. Yet smaller *companies had for many years* brought their shareholders superior returns (until the current downturn), and many investors would have been worse off without the option of investing in these companies.

It is not only listed companies and their shareholders who have suffered. Stockbrokers and market makers – the intermediaries through whom share trading is conducted – have seen their income squeezed since the 1987 crash.

Faced with such a decline, the stock market's trading mechanism has shuddered to a near-stop for many companies. The post-Big Bang stock market was built around a competing market maker system, an idea modelled closely on the US Nasdaq system. In it, market makers guarantee to make firm prices at which they will buy and sell shares, creating a continuous market in each companies' shares. In return, the market makers have benefited from certain privileges, the most important of which have been freedom from paying *stamp duty on share trans*actions and an exclusive right to borrow stock through Stock Exchange money brokers.

This system is crumbling. The market makers' freedom from stamp duty will lose its attractions when stamp duty is abolished next May. And with fewer orders from investors, market makers have found that they cannot easily find buyers for shares they take on to their own books.

Also, market makers do not have a monopoly. As much as three-quarters of the trades in some companies' shares takes place "off-market", comprising buy and sell orders "matched" in the office of a stockbroker. Market makers, who commit their prices to a public system, the exchange's Seaq price display system, complain that they expose themselves publicly without benefiting from much of the trading that actually takes place.

The result: market makers have widened the spreads between buying and selling prices to protect themselves.

The problem is not limited to London. Nasdaq has similar difficulties with liquidity in smaller companies. The average spread in the shares for less liquid companies is almost $1, against a typical share price of $10 to $15. Nasdaq, which has canvassed views from securities firms about its trading system, says its users think the type of specialist system used by the New York Stock Exchange and the American Stock Exchange works better for less liquid companies – though they much prefer Nasdaq for heavily traded stocks. Although not directly modelled on the specialist system, London's sole trader proposal bears some direct comparisons.

Until now, the London Stock Exchange's attempts to shore up the market in less liquid stocks has been what one official calls "putting a finger in the dyke". Last autumn, the exchange reduced the transparency of the market in smaller companies, allowing market makers more time before they had to publish details of trades they had undertaken (Nasdaq says a similar treatment for illiquid shares on its market has helped significantly). At the same time, a handful of London's leading securities firms said they would ensure that there were always at least two competing market makers in each UK stock.

The changes did not work. But would the sole trader proposal help – and what would it mean for investors? By concentrating all the orders in a particular company's shares, the exchange believes it could improve its price-setting mechanism. It would also ensure a *continuous market, so that* investors could deal whenever they wanted – unlike an order-driven system in which *buy or sell orders can only be* completed if there is another investor willing to form the other side of the bargain.

On the other hand, the sole trader plan would by definition create monopoly profits for share dealers – albeit, as the exchange argues, as part of a benign monopoly. If the sole trader system is created and trading in less liquid stocks grows – the current bear market will not last for ever – then how will these monopoly profits be controlled? Work is still under way to find methods of regulating sole traders and ensuring that investors receive the best price.

The OFT said yesterday that it could not yet comment on the exchange's plans. But it seems a sure bet that its old battles with the exchange are not yet over.

Joe Rogaly

It ain't over yet

Hold hard. Shelve those plans to liquidate your entire portfolio and move the cash to an offshore account under an assumed name. It may not be necessary. There may not be a Labour government after all.

I chose my words with care. "May not" is the best I can offer; for "will not" or "will" you have to consult the stars. The result of the next election is unpredictable. The date is less so. It is likely to take place on May 21 1992, just a year after the Monmouth by-election, that unmitigated Conservative disaster which, it is written in the Tories' book of hope, should turn out to have been the nadir of their fortunes. Heaven knows what the circumstances that affect voting behaviour will look like on Monmouth memorial day.

But even May 1992 is not *quite* certain. I would *not* be very surprised if a poll was called for the late autumn of this year, perhaps on November 7, following the party conference in October. If it is, the circumstances will strongly favour the Tories, since the prime minister is too cautious an individual to enter an unnecessary contest unless he is sure that he will win.

All of the above may sound like foolish prattle at a time when the Tories seem to be in such a mess and Labour has been riding so high in the opinion polls. We have become inured to the prospect of seeing Mr Neil Kinnock in No 10 Downing Street; Mr *John Major has been written* off in many a private conversation as an apprentice Canute, helpless against the *incoming Labour tide.* But now we have three fresh opinion polls that suggest that the story is not yet over.

The first, which appeared in the Sunday Express on June 23, showed the Conservatives on 39 per cent, one point ahead of Labour. Since other polls were still showing Labour leads of between 8 and 10 points the Express poll was written off by most commentators as a rogue. But forget about the publication date. Consider when the fieldwork was done. The poll was a quickie by Mori, which questioned its respondents on June 21. The last big Labour lead, of 9 points, was shown by an ICM poll for the Daily Mail. Its fieldwork was carried out on June 20 and 21, overlapping with Mori's work. All the other published polls showing Labour in an apparently commanding position were based on interviews conducted well before that, most of them during the first fortnight of June.

Mori's interrogations for the poll that appeared in this week's Sunday Times took place on June 21 to 24. The questioning was quite separate from that undertaken for the Sunday Express. The result was not significantly different in detail; it showed Labour 2 points ahead. Any unworthy thought that there is something rogue about Mori as a polling organisation perishes quickly in the light of a third poll, conducted by NOP on June 27 for the Mail on Sunday. Its results by party are more or less in line *with those of the two Mori*

John Major is too cautious to enter an unnecessary contest unless he is sure he will win

polls; they net out at a 1-point Labour lead.

Let us translate these results into probable shares of *seats in the Commons. On* average, they give Labour and the Tories 40 per cent each. If the election had been held during the week of June 21 to 27, while Mrs Margaret Thatcher was in full rant over Europe, there would have been no Labour landslide, but rather that most excellent of all possible outcomes, a hung parliament. There might not even have been a Lab-Lib government, since the Conservatives would have had the largest number of seats in the Commons – perhaps a dozen more than Labour.

What I cannot say is whether it was an exceptional week, a rogue among weeks. One Mori question was about which party is best able to negotiate with our partner governments in the European Community. The result, so far unpublished, shows the Conservatives strikingly ahead of Labour, with Europe moving up as an area of concern. Another set of responses indicated a 10-point fall in trade unionists' support for Labour; can this be the result of the campaigns for and against a minimum wage? A colleague suggests that the TV serial, GBH, combined with reports of the collapse of services in Liverpool, have reminded potential Labour voters of the worst a Labour local council can do. Ministers like to think that their counter-attack on Labour is beginning to work. The explanation could be any one or none of these, or a combination of all of them.

All of us will be better able to judge when we get back from our holidays in September. By that time the July and August results will be in. Meanwhile, it is worth dwelling for a moment on the running average of polls, compiled by month according to fieldwork dates. Considering just 1991, this shows a 3-point Tory lead in January rising to 4 points in February but vanishing by April, to be replaced by a 6-point Labour lead last month. The curve is partly explained by the Gulf war, but it is almost a mirror image of the lines showing the fall in inflation and mortgage rates, or the indicator of economic optimism, the famous "feelgood factor."

In June the latter worsened slightly according to Mori but stayed about the same (ie, neutral) according to NOP's Newsnight/Independent poll. All of which sounds ominous for the Conservatives, until you recall, first, that in June *1990 Labour was 14 points* ahead and, second, that the three latest opinion polls suggest a turnaround in the final week of the month.

It may be a blip. You never know a blip until it has passed you by, as Mr Nigel Lawson has discovered. If it is a blip Labour will do outstandingly well in the Liverpool, Walton by-election on Thursday. City gents and anxious captains of industry should then resume their licking of the boots of Mr John Smith and Mr Gordon Brown and other Labour politicians. But take it from me. Do not neglect the Conservatives' boots. They may win after all.

LETTERS

Thatcher's inconsistency on British sovereignty

From Mr Stanley Crossick.

Sir, Mrs Thatcher is right in her desire that the British people should not be misled over the issues being discussed in the two inter-governmental conferences and the proposed new treaty. The aim of the two conferences is for the Community to progress towards economic and monetary union on the one hand, and political union on the other.

Mrs Thatcher's allegation that Britain is are engaged in "the greatest abdication of national and parliamentary *sovereignty in our history*" is, however, misleading.

She signed the 1983 Stuttgart Declaration laying the foundations of "an ever closer union of the peoples and member states of the European Community".

She also approved the Single European Act in 1986 which:

- resolved "to transform relations as a whole among their states into a European union. . ." and;
- reconfirmed "the objective of the progressive realisation of economic and monetary *union*".

If Mrs Thatcher insists on measuring European integration in terms of sovereignty, *she should* be consistent and accurate. The UK's biggest legal abdication of sovereignty was when it joined the Community *in 1973.* In political, economic and social terms, however, the Single European Act probably constituted the greatest abdication of sovereignty. It is also noticeable that it has no difficulty in ceding sovereignty on defence issues.

There is nothing in the new draft treaty which warrants Mrs Thatcher's rational (as opposed to emotional) attack in the House of Commons on June 27. It certainly does not bring into being a Brussels-based, centralised *superstate.*

The word "federal" is used by each of us to mean what we want it to mean. The majority of member states clearly want considerable power decentralised to the regions. US Secretary of State James Baker, speaking in Berlin on June 18, predicted a redefinition of the role of the nation state with functions being delegated upwards and downwards.

I suspect that the British people, possibly excluding *those who live in London* and the south-east, would welcome decentralisation. And it is consistent with the first preamble of the Treaty of Rome itself which aims "to lay the foundations of an ever closer *union* among the *peoples* of Europe".

Stanley Crossick,
Belmont,
European Community Office,
Boulevard Charlemagne,
Brussels

The key factors in measuring corporate competitiveness

From Dr R C Whelan.

Sir, You were right to highlight the speed of product development as a key competitive factor in future industry (Management, June 28). However, the implications for management are more fundamental than you suggest, requiring more detailed understanding of the relation between a company's competitive position and its technology base.

As CEST showed in its latest report on Anglo-German Attitudes to Exploitation (Technology, June 18), the UK has not yet made the cultural change needed to adapt to these new *"fast-track"* approaches. These depend on training and incremental self-renewal of skills, together with an ability to project-manage a complex, changing balance of technologies.

Not only are product lifestyles shortening, training and intellectual capital is depreciating more rapidly, at 7 per cent a year, according to a recent EC report. The move to time-based competition shows how inadequate R&D is as a measure of innovative performance.

Rather than measure companies' innovative performance by their R&D spend, should we not be measuring what fraction of sales are coming from new products developed in the last five years and comparing that parameter with the competition? Then we might be able to get closer to companies' wealth-creating potential.

R C Whelan,
chief executive,
Centre for Exploitation of Science and Technology,
5 Berners Road, N1

Lording it over the Commons

From Mr M R Weale.

Sir, There is a widely-held view that Mrs Thatcher is *ruling out a return to Downing* Street by giving up her seat in the House of Commons. May I point out that there is no constitutional reason to prevent the Queen asking someone with a seat in the House of Lords to form a government. Indeed, it is not clear that the prime minister needs to sit in parliament at all.

My memory is that, in 1963, Lord Home became prime minister. He renounced his peerage and sat in neither house until elected to the Commons in a *by-election.*

But, more seriously, it would mark the final stage in Mrs Thatcher's buttressing of the hereditary system if she becomes the first hereditary peer to be prime minister for any length of time since the days of Lord Salisbury.

M R Weale,
Faculty of Economics and Politics,
University of Cambridge

Defending big salary rises in the newly-privatised companies

From Mr Michael Carney.

Sir, John Willman's article, "Privatisation proves profitable in the boardroom" (June 28), is totally misguided. Heaven help us if his thesis is to become the new orthodoxy. I write not as secretary of the Water Services Association, but as a public servant for over 25 years working in the coal, electricity and water industries.

I, in company with all the other people employed by the nationalised boards, always received a market rate for my job. Why should the chairmen and board members be the only ones to be treated differently?

The fact is that chairmen and board members of all the nationalised industries, unless they were special private sector imports such as Beeching or MacGregor, have been grossly underpaid. All govern*ments funked this issue most* of the time. When the position became desperate, governments would pluck up a little courage and *timidly* raise nationalised top pay so that it moved at least from worse to bad.

Ministers always promised their appointees in these industries that they would get the position right. They never did, but that never stopped them pleading with incumbents to stay "in the public interest". Governments played this public interest argument shamelessly, just as they now, equally shamelessly, suggest that if board members didn't resign then the salaries cannot have been that bad.

At some time this position had to be corrected. A pre-election period at the height of a *depression is not the best time* to make the change, but there is never a right time for such announcements.

My regret is that some of the corrections seem unduly modest. For example, a total of £135,000 for the chief executive of National Power is ludicrously low.

The Willman proposition that privatised monopolies do not require top-drawer management skills is ludicrous. Achieving profits in a regulated industry might seem relatively easier than in, say, the highly competitive food market. But what about the management and control of the biggest investment programme of any business? What about industrial relations and productivity issues; which about half a dozen other issues?

The nationalised model, attractive in concept, failed in practice. It failed mainly because of political interfer*ence and Treasury constraints* which totally distorted prices, profits, investment and top salaries. It would be sad if the new privatised model, designed to remove those distortions and that interference, were now to follow the same road to ruin.

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Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Tuesday July 2 1991

Concrete bunker contract may have contravened British policy on arms exports

UK designed missile test site for Iraq

By Richard Donkin and Jimmy Burns

A DEFENCE company owned by the British government designed and equipped a missile-testing complex for Iraq in possible contravention of the spirit of UK foreign policy.

The multi-million pound contract with International Military Services, a government defence sales company, involved the construction of a concrete integrated weapons complex for testing missiles, torpedoes and other ammunition between 1985 and 1989. An IMS manager was working on the contract at intervals until the summer of 1989.

The Department of Trade and Industry said the contract had not required an export licence.

The DTI said: "International Military Services did design and equip an integrated weapons complex which is really basically a bunker. It would have been a design that went out to Iraq, not the bunker itself and therefore wouldn't have needed an export licence."

An IMS brochure, however, gives some idea of the importance of such complexes.

It says: "The IWC is the most advanced type of depot facility for the assembly, disassembly, test and repair of missiles, torpedoes and other weapons. IMS can provide a complete package including construction drawings, hardware, software, consultancy and training."

An official close to IMS, confirming that the contract went ahead, said: "All it is is a complex test facility. It is not supplying any hardware, any weaponry or offensive hardware of any kind at all.

"It's a concrete structure through which you are putting things for routine testing and maintenance. It's not doing anything else.

[Britain's Royal Navy has] several IWCs actually and through it they put torpedoes, missiles and things for checking. It's merely a thing for testing ammunition stocks for want of a better expression."

He denied it could have enhanced Iraq's military capability. "Not unless Saddam Hussein picked up the concrete bunker and threw it at somebody. That's the only offensive capability it could have."

The DTI said it would have been unlikely to have approved the export of a complex itself because of government policy on defence-related sales to Iraq laid down by Sir Geoffrey Howe, then foreign secretary, in December 1984.

While saying that the UK should maintain its "consistent refusal to supply lethal equipment to either side" in the Iran-Iraq war, Sir Geoffrey said: "We should not in future approve orders for defence equipment which, in our view, would significantly enhance the capability of either side to prolong or exacerbate the conflict. In line with this policy, we should continue to scrutinise rigorously all applications for export licences for the supply of defence equipment to Iran and Iraq."

In the case of the weapons complex, the DTI drew a distinction between exporting expertise and designs and the actual physical export of goods. The principles of policy as outlined by Sir Geoffrey, however, did not recognise this difference.

The DTI said physical exports of military useful contracts with Iraq needed an export licence and that it liaised with the Foreign Office and Ministry of Defence over applications for Iraq.

Many exports of military-related goods to Iraq and Iran were banned by the government after the start of the Iran-Iraq war in 1982. Customs relied on the Export of Goods Control Order in interpreting what exports were being allowed.

A section in the 1989 order banned special armoured equipment categorised as "Combinations and constructions of metallic and non-metallic materials specially designed to provide ballistic protection for military systems."

The Ministry of Defence said yesterday it was not its policy to comment on individual contracts. Mr Neville Sharvell, managing director of IMS, declined to comment.

News of the contract sparked a sharp reaction from opposition MPs. Mr Allan Rogers, a Labour defence spokesman, said he would be consulting with the Labour party's chief whip to formulate a reaction.

IMS, based in Abbey Orchard Street, London, used to employ about 700 people, mainly working to supply armaments to Iran. After the Shah was overthrown in 1979, the contracts were abandoned.

Today it employs about 50 staff and its business is being wound down. IMS was to close this month but British Aerospace is understood to be considering purchasing parts of the company. BAe said it was not company policy to comment on planned acquisitions.

IMS was used to supervise much of the £270m Jordanian defence package negotiated in 1986. Jordan defaulted on the package in 1989. A number of UK defence companies have been left with uncompleted contracts as a result.

'We should not in future approve orders for defence equipment which, in our view, would significantly enhance the capability of either side to prolong or exacerbate the conflict. We should continue to scrutinise rigorously all applications for export licences for the supply of defence equipment to Iran and Iraq.' — Sir Geoffrey Howe, right, in 1984

Guerrilla watch: Lebanese army troops in vigilant mood entering the Palestinian stronghold of Sidon yesterday

Lebanese army seizes Sidon area

By Lara Marlowe in Lebaa, southern Lebanon, and Hugh Carnegy in Jerusalem

THE Lebanese army yesterday, for the first time in 16 years, wrested control of territory and villages from the Palestinian guerrillas and Lebanese militias who have ruled this area south of Beirut since the early days of the civil war.

The deployment of 6,000 troops in and around Sidon – made possible by US and Syrian support for president Elias Hrawi's government – represents a significant extension of central Lebanese authority – and a humiliation for the Palestine Liberation Organisation.

Israel said the deployment would not alter its stance in the area so long as local Palestinian and other hostile guerrillas remained under arms.

The Lebanese government is hoping the extension of its authority over the south, started several months ago, will lead to international pressure on Israel to withdraw from the "security zone" adjacent to its border it occupies in defiance of UN Security Council Resolution 245.

But Mr Uri Lubrani, the Israeli government's co-ordinator for Lebanon policy, said: "So long as it is unclear whether this deployment will bring about the disarmament of the terrorists, there is no change from our viewpoint. The threats against Israel have to change. They haven't changed in any way."

Israel is also concerned that Syria may try to step up the pressure against the Israeli security zone.

Yesterday's deployment was marked by several hitches and some fighting was reported near the villages of Salhiyeh and Kfar Jarra, 6km east of Sidon.

There were no immediate reports of casualties in the fighting which began shortly before dark and raged for about 20 minutes before lapsing into sporadic shooting.

Potential for further clashes remains. The Lebanese army intends to enter the Sidon refugee camps, which are protected by 6,000 Palestinian guerrillas.

The Lebanese government has so far rejected demands by PLO leaders for a formal agreement on the status of more than 300,000 Palestinian refugees in Lebanon, most of them concentrated in the Sidon area.

Lebanese officials have also vowed to take the town of Jezzine from the Israeli-backed South Lebanon Army (SLA). General Antoine Lahad, the commander of the SLA, has said he will fight any attempts by the Beirut government to occupy Jezzine. Yesterday's deployment brought Lebanese troops to Lebaa, just a few miles from Jezzine.

Black conservative proposed for US court

PRESIDENT George Bush yesterday nominated Judge Clarence Thomas, a black conservative, to the US Supreme Court to succeed retiring liberal Justice Thurgood Marshall, Reuter reports from Maine. The change would mean retaining a black justice on the nine-member court.

Mr Bush announced the nomination of Judge Thomas, 43, the controversial former chairman of the Equal Employment Opportunity Commission (EEOC), from his seaside vacation home in Maine.

Judge Thomas, whose nomination awaits confirmation by the Senate, would join a court that has become increasingly conservative, especially in ruling against criminal defendants and suspects.

Conservatives had a 6-3 working majority on most issues in the recently concluded legal term, although they did not consider cases on such divisive topics as abortion, affirmative action and religion.

The court's next term could face all three issues. The administration hopes to have its new justice confirmed before business resumes in October.

Mr Thomas's opposition to affirmative action – granting preferential treatment to minorities – earned him the antipathy of civil rights groups in the EEOC post. The president's nomination could trigger a fierce confirmation battle in the Senate.

The resignation of Judge Marshall, the first black to serve on the high court, was greeted with dismay by liberals and civil rights organisations, who feared his departure would hasten the trend toward conservatism on the part of the highest US court.

In his final dissenting speech from the bench last week, Judge Marshall agreed with that view.

However, conservatives saw the departure as a second opportunity to appoint a conservative.

Mr Bush named David Souter to the bench a year ago, and he recently completed his first term as justice.

Kohl admits he misread size of unity hurdles

By David Marsh in Bonn

MR Helmut Kohl, the German chancellor, admitted yesterday that he had underestimated last year the problems involved in rebuilding east Germany's economy and government structure.

After four decades of communism and 12 years of the Third Reich before that, east Germany had lacked a qualified elite to help build a "democratic administration", Mr Kohl said.

This was a prime difference from the 1948 currency reform, when the defunct Reichsmark was replaced in West Germany by the D-Mark, the chancellor conceded. Last year Mr Kohl compared the 1948 move with the D-Mark's move across the Elbe.

But at a press conference marking the anniversary of German monetary union, he insisted the timing of the D-Mark's introduction was correct. He also played down worries about the stability of the currency resulting from Germany's growing economic and financial problems, but he voiced concern about wage increases in east Germany.

Wages in east Germany have risen by between 50 and 60 per cent over the last year – at a time when industrial production has plummeted by about the same amount.

Mr Kohl stressed the difficulty of reaching a "sensible mid-course" in financially costly and politically sensitive areas such as the raising of east German pensions to west German levels.

Some analysts say the chancellor is partly to blame for encouraging high wage rises in the east, because of his emphasis in past months that east German workers could expect to catch up with west German wage levels in the next few years.

Asked about the move towards European monetary union, where Germany has been accused by some European partners of slowing progress in recent months, Mr Kohl denied that Bonn had changed its mind on the timing. Germany was sticking to the condition that Emu would have to be based on stability and economic convergence, he said.

"We Germans are not ready to give up the strong D-Mark for a currency which would be less stable." But he added: "I am confident we will have a first class European central bank – and one which will be independent."

Major statement, Page 7

THE LEX COLUMN

A mixed signal from Tokyo

It was natural enough for world equity markets to rally along with Tokyo yesterday, since they had been falling along with it for a fortnight. Much depends, though, on the Bank of Japan's motives for its first cut in the discount rate since 1987. If the move was prompted by domestic or even international monetary considerations, well and good. But if it was merely a question of holding the Nikkei above the danger level of 23,000, the rest of the world has reason to be concerned by the implied fragility of the Japanese financial system. Suppose the Nikkei were to fall back to 23,000 next week: would the Bank cut interest rates again?

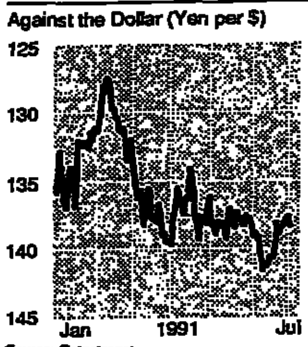
Perhaps the opposing view is more persuasive: that the move merely showed Japan catching up with the established global trend to monetary easing. The growth in the Japanese money supply is now substantially negative in real terms. In the 18 months or so since the bank declared war on asset price inflation, it has knocked 40 per cent off share prices and made a sizeable dent in property values. If yesterday's lack of movement in the yen is a guide, Japanese inflation is no longer a serious worry in the mind of the markets.

From a European standpoint, the picture is less rosy. The Nikkei will still bear careful watching: and in monetary terms, the only policy that really matters is that of the Bundesbank. Help from that quarter looks as distant as ever, Tokyo notwithstanding.

FT-SE Index: 2,443.6 (+28.8)

Yen

Against the Dollar (Yen per $)



Source: Datastream

British Steel

It may be luck or management, but British Steel is fortunate in having a pile of cash to fund both rationalisation and capital expenditure while still increasing its dividend at a time of deepening gloom. But the 65 per cent slump in earnings per share to 9.65p leaves the dividend only just covered. The rot that set in during last year's second half has clearly continued. Margins are squeezed by excess capacity in western Europe and the threat of cheap supplies from the former Soviet bloc. At some stage, the question must arise whether the progressive payout policy promised at the time of privatisation is still appropriate. Though redundancies are continuing apace, capital spending is set to fall. Assuming British Steel remains in profit, there could well be enough cash left over to maintain or increase the dividend this year without recourse to borrowing. Admittedly, the payment may not be fully covered, but part of the company's fixation with its payout is that past promises have engendered high expectations which traditionally underpin its share price.

The other side of the coin is that the latest dividend costs £175m while net cash has almost halved to £342m. British Steel may be able to justify the erosion of its balance sheet by its own belief in its long-term profit potential. Rationalisation should provide the conditions for earnings to rebound in a recovery, but the trouble is that the company's long-heralded internationalisation has been slow in coming, leaving it over-dependent on a cyclical and shrinking UK market.

Water companies

Shareholders in the privatised UK water companies have had a good drenching of late. But it may be that the regulator's latest missive – data published yesterday on the financial performance of companies in 1990-91 – contains fewer reasons to run for cover than some of his previous broadsides. Pre-tax profits, for instance, may have been 20 per cent higher than they were meant to be when the rules were fixed in 1989. But the more important point is surely Mr Byatt's observation that dividends last year were in line with expectations. Never mind how he reached that conclusion with an average growth rate of 15.8 per cent. The point is, he said it.

There is, of course, plenty in yesterday's statement to worry the faint-hearted, not least the comment that good reasons can be advanced for expecting a lower growth in payouts in future. Much as he might privately wish to extend his authority, though, Mr Byatt emphasises that his job is restricted to controlling prices. The message must now be clear to all but the most combative water company chairman: hand over to shareholders windfall profits earned through greater efficiency by all means. Where they result from lower than normal contracting costs or high interest rates, give them to customers in keener prices or accelerated capital spending. In the absence of competition in the sector, the game for investors is to guess how quickly the regulatory noose will be tightened. The risk of renationalisation under a Labour government – one factor depressing the shares – will seem more distant if the companies allow Mr Byatt to emerge as a consumer champion.

S&N

Scottish & Newcastle is undoubtedly a lucky company. The Gulf war made the sale of its hotels even more opportune than was foreseeable at the time, the move into European leisure has proved a valuable counterweight to the UK recession, and perhaps above all, a combination of government intervention and recession has tilted the odds in UK brewing in favour of S&N's traditional strengths in the free on-trade and take-home markets.

The company would claim judgment as well as luck. The move out of hotels was a matter of basic strategy, as was the diversification to continental Europe. It may also be that the inherent volatility of the free trade in beer, as opposed to the cosiness of the tied-house system, has produced a culture better able to cope with the upheavals in the UK beer market.

The question is where the company goes from here. It is perhaps significant that, despite having confirmed market expectations yesterday with a remarkable 19 per cent rise in earnings per share, S&N has outperformed the UK equity market in the past year by just 8 per cent. Before interest savings on the hotels deal, trading profits last year were up only 7 per cent; and although the company may well increase its market share in UK beer again this year, that will not necessarily mean a rise in volume. But yesterday's price of 382p puts the historic multiple at 11.2, a discount of more than 10 per cent to the market. On grounds of management quality alone, that scarcely looks expensive.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Berlin	F	23	73	Caracas	C	28	82	Faro	S	27	81	Islamabad	F	41	106
Algiers	S	26	79	Biarritz	C	21	70	Casablanca	S	25	77	Florence	S	27	81	Istanbul	F	25	77
Amsterdam	R	16	61	Bombay	F	30	86	Chicago		-	-	Frankfurt	F	25	77	Jakarta	F	33	91
Athens	S	28	82	Bordeaux	F	28	82	Cologne	C	23	73	Geneva	S	23	73	Jersey	Dr	14	57
Bahrain	S	33	91	Boulogne	R	16	61	Copenhagen	F	18	64	Gibraltar	F	23	73	Johannesburg	S	22	72
Bangkok	F	35	95	Brussels	C	17	63	Corfu	S	25	77	Glasgow	R	15	59	Lima	C	19	66
Barcelona	S	24	75	Budapest	F	22	72	Dallas		-	-	Helsinki	S	17	63	Lisbon	S	30	86
Beirut		-	-	Buenos Aires	C	14	57	Dublin	C	16	61	Hong Kong	S	31	88	London	C	17	63
Belfast	F	17	63	Cairo	S	34	93	Dubrovnik	C	24	75	Innsbruck	S	24	75	Los Angeles		-	-
Belgrade	C	16	61	Cape Town	S	16	61	Edinburgh	R	15	59	Inverness	C	13	55	Luxembourg	F	23	73

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	23	73	Milan	S	24	75	Nicosia	S	27	81	Salzburg	S	24	75	Tenerife	S	24	75
Madrid	F	28	82	Montreal		-	-	Oporto	S	22	72	San Francisco		-	-	Tokyo	C	27	81
Majorca	S	28	82	Moscow	S	26	79	Oslo	F	18	64	Seoul	C	23	73	Toronto		-	-
Malaga	S	25	77	Munich	S	23	73	Paris	F	27	81	Singapore		-	-	Tunis	F	25	77
Malta	S	26	79	Nairobi	C	22	72	Peking	S	31	88	Stockholm	C	17	63	Valencia	F	25	77
Manchester	S	18	64	Naples	S	26	79	Prague	F	23	73	Strasbourg	S	27	81	Venice	S	24	75
Manila	C	34	93	Nassau	C	32	90	Reykjavik	C	10	50	Sydney	S	17	63	Vienna	S	23	73
Melbourne	F	14	57	New Delhi	S	37	99	Rhodes	S	27	81	Taipei	C	34	93	Warsaw	S	20	68
Mexico City		-	-	New York		-	-	Rio de Janeiro	C	26	79	Tangier	S	28	82	Washington		-	-
Miami		-	-	Nice	S	22	72	Rome	S	25	77	Tel Aviv	S	30	86	Zurich	S	21	75

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

Tuesday July 2 1991

INSIDE

Dowty profits fall 29% to £60.6m

Dowty Group, the big UK aerospace, electronics and polymers concern, saw pre-tax profits fall by 29 per cent to £60.6m ($99.4m) for the year to March 31. Takeover speculation continues to underpin the group's share price which has risen from a low of 146p in January to close at 191p yesterday, up 3p. Page 27

Results bring cheers to brewery

Scottish & Newcastle Breweries yesterday announced an 18 per cent increase in pre-tax profits from £183.3m to £216.8m ($351.2m) for the year to the end of April. The group's beer profits rose 12 per cent to £96.1m (£85.6m). Mr *Brian Stewart (left)*, recently appointed chief executive, said volume sales of beer increased by 2.5 per cent in a market which had declined by about the same amount. Page 27

Canada courts grain customers

New strains of wheat and seminars for foreign flour millers are among the weapons the Canadian Wheat Board is using to sustain the loyalty of old customers and to win new ones. Mr *Lorne Hehn, the board's chief commissioner*, refers to the large amounts of chemicals used by European farmers compared with their prairie counterparts. Page 28

Directors bid for bank's assets

Directors of Jarden Morgan, the former New Zealand merchant bank, yesterday launched a takeover bid for the remaining assets of the company, which is 43 per cent owned by NZI Corporation, a subsidiary of Scottish-based General Accident. The directors, all brokers, are making the takeover bid through a private company, Silvias Holdings. Page 22

Boral warns of 35% fall in profits

Boral, the Australian construction and building materials group, yesterday warned that net profits would fall by about 35 per cent for the year to the end of June, compared with an earlier forecast of around 28 per cent. It also predicted write-offs of A$31.8m ($24.5m). Page 22

Walker's attempt at injunction dismissed

The High Court yesterday dismissed the application by Mr George Walker, former head of Brent Walker, the UK leisure group, for an injunction to stop a steering committee of banks from imposing his removal as a non-executive director as a condition of refinancing. It is now up to shareholders at a special meeting today to decide Mr Walker's fate. Page 27

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Douglas Hldg	824	+	14	Bancaire Cie	491.1	+	11.1
Schwalbach L	453.5	+	18.5	Cr Fonc France	1115	+	37
Falls				Elf-Aquitaine	374	+	14.5
Goldschmidt	680	−	12	Promodes	2249	+	79
Heidelb Zem	1040	−	70	**Falls**			
Hoesch	244.5	−	9.5	Ciments Fr	307	−	18
Leifheit	735	−	9.5	Gal. Lafayette	1620	−	69

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Bankers Tst	49 7/8	+	1 1/2	Kitano Cons	2000	+	210
Chase Man	17	+	3/4	Matsumaya	1180	+	120
Coca-Cola	55 1/2	+	1	M'bishi Tr & Bk	1800	+	200
J P Morgan	53	+	7/8	Nippon Kinzoku	641	+	71
Philip Morris	64 3/4	+	1 1/4	Nohon Nohyaku	1360	+	200
Procter & Gamb	79 1/2	+	2 1/8	Toyo Kohan	807	+	76

New York prices as at 12.30

LONDON (Pence)							
Rises				Scot & Newc	382	+	12
ADT	618	+	18	Speyhawk	35	+	6
Avesco	25	+	4	**Falls**			
Brit Steel	125	+	3 3/4	Amstrad	49	−	3
Brit Telecom	357	+	9	Davies Newman	100	−	10
Farepak	385	+	12	First Nat	128	−	8
Glaxo	1257	+	35	Forte	246	−	7
Gold Greenlees	142	+	13	Gresham Hse	75	−	150
Grand Met	740	+	20	Mountleigh	54	−	7
Inoken	72	+	10	Rosehaugh	32	−	3
Kingsgrange	32	+	3	Torrill	29	−	5
Mayfield	103	+	5				

Deutsche Bank dismisses chief dealer

By **Katharine Campbell** in Frankfurt

DEUTSCHE Bank yesterday dismissed its chief equity warrants dealer after irregularities came to light during an inquiry by the Frankfurt Stock Exchange into allegations of insider trading which have implicated the bank.

Mr Manfred Mertens, aged 30, was yesterday dismissed, the bank said, because he had "ignored internal guidelines" applying to all employees.

However, the alleged wrongdoing was unconnected with activities in the stock exchange department and did not involve a breach of insider trading guidelines, Deutsche Bank added. It declined to elaborate.

Germany's leading bank is attempting to clear its name after an anonymous letter to a local news sheet, *Effecten-Spiegel*, alleged breaches of insider rules and other improprieties in the securities department.

The letter alleged Mr Mertens took positions for himself and his superiors ahead of giving tips to the investment public on a television programme. There were also suggestions of personal enrichment involving booking bad trades to the bank's own account.

The charges were levelled at senior figures from Mr Rolf Breuer, managing board member with overall responsibility for securities business, downwards.

While insider trading is not yet a criminal offence in Germany, most banks and companies abide by a voluntary code of practice. The insider commission of the Frankfurt Stock Exchange began preliminary inquiries after the letter was published, and Deutsche Bank instigated its own internal investigation, during which the findings leading to Mr Mertens' dismissal emerged.

Deutsche said yesterday that, according to its investigations, Mr Rolf Breuer had had no dealings in equity warrants, contrary to the letter's allegations.

The bank found no breaches of internal trading or customer advisory rules in the case of Mr Barthold von Ribbentrop, stock exchange department chief, and Mr Klaus Nagel, in charge of equity trading.

"There was no question of a breach of insider guidelines in the case of any of these (employees)."

Mr Friedrich-Carl zur Megede, the retired judge heading the insider commission, said he would study the information Deutsche sent yesterday but the inquiries were unlikely to be dropped so speedily.

He added that while the five-man commission had not yet found "anything serious", it was examining price movements in a large equity warrant option deal "completed some time ago".

Californian who shoots from the hip

Nikki Tait meets the state's first elected insurance commissioner

"THE whole insurance scene in California is a mess," says Mr John Garamendi fervently.

It is not so much the sentiment which is surprising, as the source from which it comes. For this is not some Californian consumer activist talking, but the state's first elected insurance commissioner.

But then, Mr Garamendi tends to defy conventional expectations. In the six months since taking office, this 46-year-old career politician has seized two sizeable Californian life companies, triggered America's biggest insurance collapse in the process, and sent political ripples all the way to Washington.

Within minutes of being sworn in he stormed into the deeply-troubled Californian car insurance market, declaring that rates would be frozen until policyholders were paid a mandated "rollback". The huge market is important to companies such as Farmers, a US subsidiary of BAT of the UK.

He has also begun to move against unlicensed "offshore" car insurers in his state.

How much of this activity is being generated with one eye on the electorate? Mr Garamendi, a keen political animal, has 17 years as a state legislator behind him. And he has already been mentioned as a possible Democrat nomination for the 1994 gubernatorial race. No-onethink his aspirations have subsided.

Conversely, how much is well-judged, reforming zeal? California is the largest state in terms of insurance with more premiums collected in a year than by British insurance companies worldwide. And all is not well, as was made clear by the seizures of Executive Life and First Capital, together with complaints about the cost and availability of health and car insurance.

One thing is certain, Mr Garamendi, a rancher's son from the Sierra foothills, lacks neither conviction nor confidence.

"In California you've got insurance companies at war with their customers, selling a product that customers don't want. You've got customers at war with the insurance companies – Proposition 103 (the consumer initiative which mandated the rollback of car rates and gained voter approval in 1989) is an example of that. We have insurance companies who are going belly-up, leaving hundred of thousands of policyholders behind.

"So I intend to regulate. I'm in the biggest state and I'm going to have an impact on those in my state – and, hey, word's out."

This clearly carries an implicit criticism of his predecessor, Ms Roxanni Gillespie, who was appointed by the former Republican Governor and had previously worked in the industry.

Ms Gillespie, now with a large West Coast law firm, declines to comment on Mr Garamendi, but the commissioner is less reticent. "I have a completely different attitude to my predecessor," he asserts. "I am here to protect consumers: that's why this department was put into effect. We are not here to serve insurers."

That, of course, is what California's well-organised consumer lobbies want to hear. So, too, may many Californian residents, who have become cynical about ever seeing reliable and affordable health/car cover. How, then, do the new commissioner's actions stack up?

By far the most dramatic has been the Executive Life seizure.

His takeover was accompanied by sharp, probably justified, words about his predecessor's indulgence. But his own actions have not helped Executive Life policyholders to sleep easily in recent weeks. For example, although death and medical benefits have been paid as promised, regular holders of annuities have been receiving only 70 cents on the dollar.

None of this, however, gives Mr Garamendi cause for doubt. "If there's anything in this world that I'm confident of it's that we took the appropriate action with Executive Life. It should have been taken 14 months earlier."

With hindsight, this may be hard to dispute, but could some of the confusing melée have been foreseen and forestalled?

Mr Garamendi says: "It is my job to tell consumers the truth as we know it. And if the result is that the company fails, then that's just the way it's going to be."

Thoughts that his activity may have stoked the debate on solvency regulation – and possibly increased the odds on some form of federal intervention in the state-based system – cause him equally little pause.

"There's an increased priority around the nation ... is it going to be federal or is it going to be state? I think there's going to be a federal standard and the states will have to meet or exceed it."

Back in the more prosaic world of car insurance, Mr Garamendi's stance, and his chances of bringing order to the chaos, are harder to establish. The rates freeze looked more impressive than it was, given that Ms Gillespie had just authorised a round of increases before ceding her job.

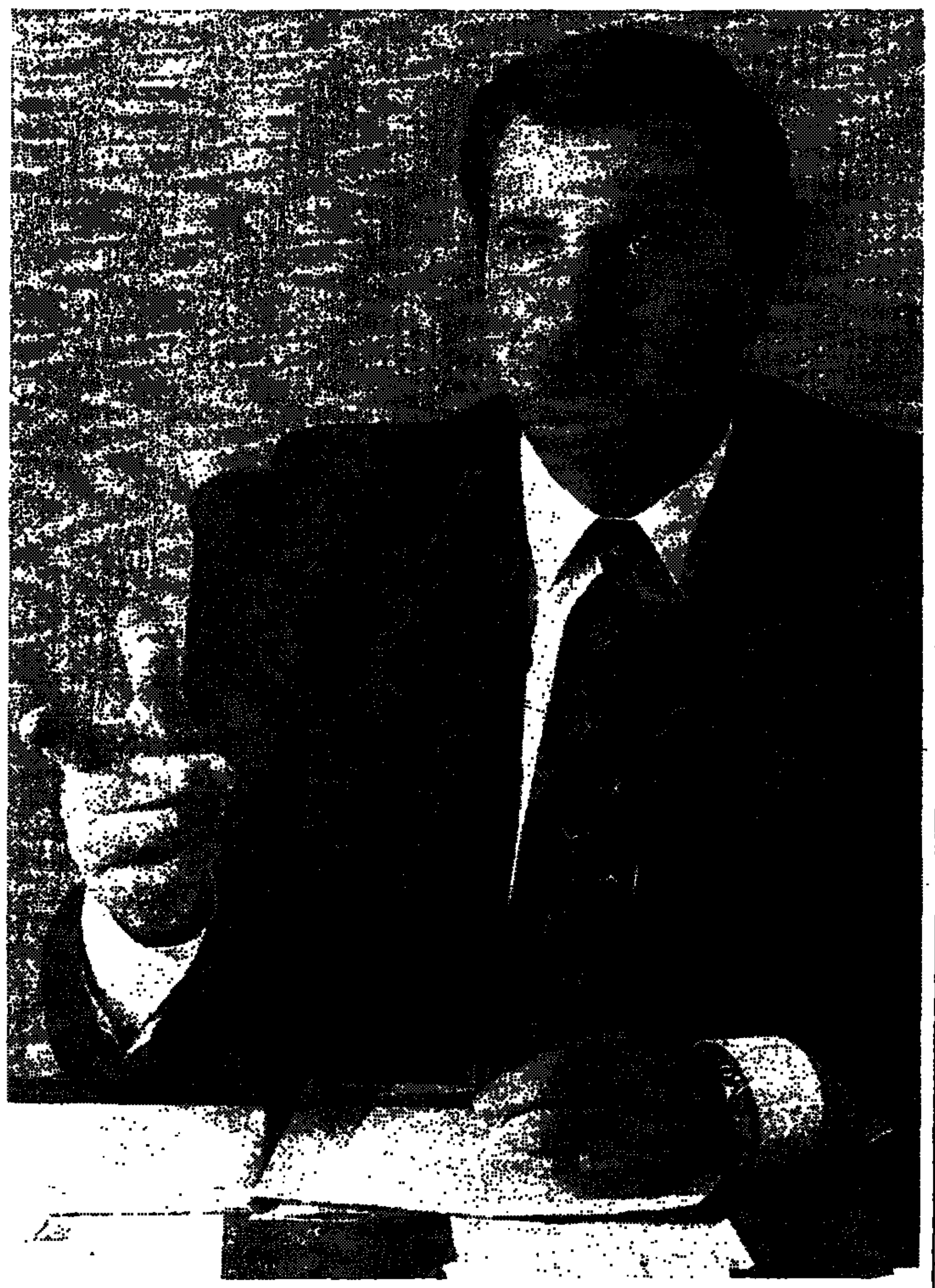
Meanwhile, the latest attempt to get a "no fault" bill (a basic policy under which insurers would pay claims up to a certain figure regardless of fault) through the Californian legislature has just failed, with the commissioner tending to sit on the fence.

"I favour a solution that reduces litigation costs AND that is politically achievable," he says.

It is no surprise to find consumer groups supportive of their new commissioner – although on the car front, there is some suspicion that Mr Garamendi is most concerned with having the Prop 103 "rollbacks" paid out.

More remarkable is the extent to which the insurance industry has kept its cool. It knew the switch to an elected procedure would probably bring a Democrat, with strong consumerist leanings. Mr Garamendi seems to have been the best of the bunch. One executive said: "At least, there was the Harvard MBA."

More objective observers tend to make the point that, while many of Mr Garamendi's actions seem carefully weighed for political effect, he is clearly no fool. "I think he's learning the business faster than people give him credit for," says a lawyer embroiled in the Executive Life negotiations and not over-enamoured of the commissioner.



John Garamendi: "We are not here to serve insurers"

Record downgrading of US debt as defaults increase

By **Nikki Tait** in New York

THE continuing problems faced by the US corporate sector were underlined yesterday as the main Wall Street rating agencies revealed that they had downgraded record amounts of corporate debt in the first half of 1991 and seen corporate bond defaults hit new highs.

According to Standard & Poor's, a record $408bn-worth of corporate debt was given reduced ratings during the six-month period.

This was only $100bn short of the $500bn-worth of debt which was downgraded in the whole of 1990, and almost double the $234bn figure seen in the first half of the previous year.

Moreover, compensating upgrades covered only $71bn-worth of corporate debt. In terms of numbers of debt issues, S&P said that 422 companies were given reduced ratings, while only 88 were upgraded.

Most of the downgrades came in the financial sector; 220 downgrades, or slightly more than half the total number, concerned banks, thrifts and insurance companies. Only 11 financial institutions and insurers were upgraded.

Moody's, meanwhile, said that corporate bond issuers defaulted on $12.5bn of publicly-held debt during the period, compared with $10.7bn in the first six months of 1990. Bond defaults were triple the 1989 levels, it added, when only 21 issuers defaulted on $3.3bn worth of debt.

Commenting on the figures, S&P claimed that "the level of debt in American corporations is today so high that our median rating on corporate bonds is now BB – a speculative grade rating". It pointed out that, 10 years ago, the average rating stood at A. It acknowledged, however, that some non-investment grade companies – such as RJR Nabisco, Duracell and First Brands – were showing an improved credit picture.

In many cases, this stems from a refinancing of group debts and a tapping of the strong equity market during the first half of 1991. Equity issues showed a marked increase during the first six months of the year.

S&P noted that the picture was slightly brighter in the municipal bond sector where about $11.6bn of municipal debt was downgraded while $4.4bn-worth was upgraded.

A large part of the downgrades related to problems in New England states, such as Vermont, Maine, New Hampshire and Rhode Island.

Generali quiet on rights cash plan

By **Haig Simonian** in Trieste

MR EUGENIO Coppola di Canzano, the new chairman of Generali, Italy's leading insurance company, yesterday gave little indication as to how the company intended to use L1,750bn ($1.4bn) from its rights issue, one of the country's largest.

Speaking at the group's AGM, just hours before the UK government announced that Generali had been unsuccessful in its bid for the short-term credits business of the Export Credits Guarantee Department, Mr Coppola di Canzano said the funds would go towards geographical expansion, both through acquisition and joint ventures, as well as developing Generali's Italian life insurance business.

The issue, announced in May, involved 145.75m new shares.

Mr Coppola di Canzano yesterday said the company was as interested in established European markets as in other areas like eastern Europe.

Growth in markets where Generali was already well represented would come partly through new niche products. Mr Coppola di Canzano identified Belgium and Switzerland as two countries where the group hoped to expand.

The company confirmed it had pulled out of the shareholders' pact controlling Banco Ambrosiano Veneto, one of Italy's biggest private-sector banks, in which it has a 5 per cent stake.

Uncertainty over Generali's intentions towards the bank, which includes Gemina, the Fiat-controlled investment group, and Crédit Agricole of France among its shareholders, had been growing ahead of the end-June deadline for renewing the pact.

Under the terms of the shareholders' agreement, Generali would have been obliged to decide whether to raise its stake to the 10 per cent to 12 per cent level of the other leading shareholders, or pull out.

Despite no longer being commited to the pact, Mr Coppola di Canzano said Generali would retain its Ambroveneto stake at least in the short term. The holding could underpin a potential cross-marketing deal between Alleanza, Generali's life insurance subsidiary, and the bank, he said.

Generali's decision to pull out of the pact, which it joined in late 1989, raises the prospect of Ambroveneto eventually coming under the control of one of its other big shareholders, with Gemina and the French bank the most likely candidates.

British Steel profits decline 65%

By David Owen in London

BRITISH Steel yesterday sketched out a controversial restructuring of its plate production facilities as it unveiled a well-flagged 65 per cent decline to £254m ($416m) in annual profits.

The company nonetheless raised its final dividend to 5.75p from 5.5p. This made for a total of 8.75p against 8.25p the previous year, which helped cut retained profit for the year to March 30 to £18m against £399m previously.

"Our dividend policy is established with regard to the long-term profitability of the business," said Mr Philip Hampton, the group's new managing director, finance. The shares climbed 3¾p to close at 125p in London.

The company's plate-related plans call for the eventual replacement of existing mills at Dalzell and Scunthorpe with a new facility at Teesside.

"We have taken the view that we should be in plate with a modern resource by the end of this decade," said Sir Robert Scholey, chairman.

"If you look at our plate mills versus those in Japan, it's like comparing a cart horse with a Rolls Royce."

However, Mr David Clark, chairman of the Steel and Industrial Managers' Association, said: "The Dalzell plate mill can be upgraded to meet British Steel's requirements for £100m while it will cost in excess of £400m to site a new mill at Teesside."

Mr Clark said the proposals were "a scandalous waste of shareholders' money", and called on the prime minister and leader of the opposition to "indicate what they are prepared to do to ensure the survival of the last steel mill in Scotland."

The company, privatised in 1988, made only £80m in the second half of the year just ended, against £310m in the same period the year before. It said this underlined the severity of the price/cost squeeze.

"The level of selling prices in the European Community, including the UK, continues to give cause for concern," Sir Robert said.

"The prudent view is to assume that the current depressed conditions will persist for a longer rather than a shorter period."

There was a £217m exceptional charge, attributed mostly to "redundancy and other rationalisation costs," against £145m in the same period the year before.

Redundancies totalled more than 2,000 last year, although overall employment rose to 57,500 after the effect of acquisitions. Last year's job losses had already been exceeded in 1991-92, the company said.

Turnover declined marginally to £5.04bn ($5.11bn), while earnings per share fell by 66 per cent to 9.65p (28.2p). Pre-tax profits in 1990-91 had weighed in at £733m.

Lex, P18; Details, Page 26

Guinness sells 10% of Cruzcampo to Carlsberg

By Tom Burns in Madrid

CARLSBERG, the Danish brewing group, will pay Guinness, the UK brewer, £59m ($96m) for 10 per cent of Cruzcampo, the leading Spanish brewer that the UK drinks group bought last year.

The acquisition follows a £29m takeover bid by Guinness last week for Carlsberg's loss-making Spanish subsidiary, Union Cervecera.

Carlsberg has also taken the right to increase its shareholding in Cruzcampo.

The Danish company's sale of Union Cervecera to Guinness and its investment in Cruzcampo is part of an arrangement to develop jointly the Spanish market and is similar to a co-operation agreement between Guinness and Carlsberg in Ireland.

Following the acquisition of Union Cervecera, Cruzcampo, which brews Henninger under licence as well as several other beers, will be distributing Carlsberg larger in Spain.

The Guinness subsidiary will be adding Union Cervecera's three breweries to the six operated by Cruzcampo and will be strengthening its distribution in north-west and central Spain and in the Balearic Islands.

Mr Brian Baldock, chairman of Guinness Brewing Worldwide, said the acquisition "reaffirms our commitment to developing Cruzcampo's position as the leading brewer in Spain, and to continuing Guinness Brewing Worldwide's investment in the Spanish market". The Union Cervecera takeover raises Cruzcampo's share of the domestic market from 22 per cent to 28 per cent.

The Guinness offer to pay the nominal price of Pta250 per share for Union Cervecera has been unconditionally agreed by Carlsberg and the Danish company has recommended the company's widely spread minority shareholders to accept the offer.

Trading in Union Cervecera stock was suspended on the Madrid stock exchange last week at Pta275 per share.

PowerGen executive pay rise fuels row over salaries

By Andrew Bolger in London

THE debate on UK boardroom pay was kept on the boil yesterday by robust defences of large pay increases for the top executives of two recently-privatised companies.

Mr Ed Wallis, chief executive of PowerGen, the UK electricity generator, saw his salary nearly tripled from the £75,960 ($124,574) stated in last year's privatisation prospectus to £200,000 this year.

However, Sir Graham Day, chairman of PowerGen, said Mr Wallis was still underpaid compared with the executives of similarly-sized companies. Mr Wallis was one of the three lowest-paid chief executives of companies in the FT-SE 100, the index comprising Britain's biggest companies.

Mr Roy Watts, chairman of Thames Water, Britain's biggest privatised water company, was also unapologetic about his salary in the year to March 31. It is believed to be about £160,000, including a bonus of about £27,000, compared with £73,000 last year.

However, Mr Watts' salary was set at £120,000 from January 1 last year, as detailed in the prospectus. His lower earnings in the year to March last year reflect the fact that for most of the period he was still part-time chairman of the Thames Water Authority, earning £41,000.

Mr Watts said there was no comparison between that post and his present job as full-time chairman of of a big, publicly-quoted company.

He said: "Thames Water is not Thames Water Authority. It has 25 companies in the group and earns 20 per cent of its revenues from non-core businesses. It operates overseas with 800 staff in more than 50 countries worldwide."

Sir Graham also emphasised that when PowerGen was floated it was clearly stated in the prospectus that executives would have their salaries increased to market rates, and the government had been party to that agreement.

Last week, Mr John Major, the prime minister, endorsed criticism of "excessive" pay increases after the other privatised power generator, National Power, awarded a 58 per cent increase to its chief executive, Mr John Baker.

Mr Wallis's pay rise was revealed after PowerGen announced pre-tax profits of £272m in the year to March 31, £8m higher than forecast when the business was privatised earlier this year.

Metals group gives details of DM432m rights

By Andrew Fisher in Frankfurt

METALLGESELLSCHAFT, the German mining, metals, chemicals, and engineering group, yesterday announced the terms of its rights issue which will bring in DM432m ($240m) at a time when it has been active on the new acquisitions front.

The new shares will be issued at DM360, a discount of 31 per cent on yesterday's closing share price of DM522, which was DM4 up on the day.

They will rank for half of the dividend for the financial year to September 30 1991.

The issue will be open from July 10 to 24.

Although Metallgesellschaft has just announced its biggest acquisition, with the DM1.45bn purchase of the non-paper activities of Feldmühle Nobel from Stora of Sweden, the rights issue is not linked specifically to this deal.

The group has around DM2bn of liquidity.

Earlier this year, Metallgesellschaft paid nearly DM230m for the German activities of the troubled Davy engineering concern of the UK.

These comprised Zimmer, a chemical fibre plant builder, and Bamag, a water treatment specialist.

First National withholds payout

By Richard Gourlay in London

FIRST National Finance Corporation, the UK consumer credit company, yesterday passed its interim dividend after bad debt provisions triggered a collapse in pre-tax profits.

The company, which is heavily exposed to the UK housing market, reported pre-tax losses of £6.24m ($10.23m) for the six months to April, compared with a £29.12m profit in the comparable period in 1990, after more than £26m in provisions.

Mr Richard Langdon, chairman, said First National would not pay the dividend "in the light of the results and current prospects". The final dividend would be reviewed at the end of the financial year.

Mr Tom Wrigley, chief executive, said he hoped the second half of the year would not see bad debt provisions rise as quickly.

While the housing market remained fragile, there were some signs of more activity, and although prices were not going up there was some evidence that default levels were coming down. However, recovery was unlikely to come in time for the end of the financial year and the company said it was trying to withdraw from property development.

Mr Langdon said First National would sell its property development portfolio, which it values at £60m, as soon as conditions allowed.

First National made a £7.6m extraordinary provision after tax against the costs of discontinuing this business.

The figure included an adjustment of properties to net realisable values and the cost of carrying the division for two to four years.

In the consumer credit division, most of which is related to loans backed by first and second mortgages on houses, profits fell from £19.6m to losses of £6.5m.

Profits in the commercial lending division fell from £9.6m to £3.9m.

Mr Langdon said First National was in a fundamentally stronger position than when it required the Bank of England "lifeboat" after the secondary banking crisis in the 1970s.

First National's share price fell 8p to 128p.

Dutch insurer favourite for ISG

By Richard Lapper

NEDERLANDSCHE Credietverzekering Maatschappij is set to become one of the biggest trade credit insurers in Europe if its bid to win control of the Insurance Services division of the UK's Export Credits Guarantee Department goes through as expected.

Mr Peter Lilley, the UK trade secretary, announced yesterday that NCM was the preferred purchaser. The privatisation was originally announced in December 1989. NCM is the world's fourth biggest trade credit insurer.

In 1990, premium income rose by 3 per cent to Fl 376.7m ($194m). In 1989, premium income of Fl 365.5m placed NCM third in Europe behind SFAC of France and Hermes of Germany. ISG's short-term premiums amounted to about $115m in the same year. Founded in 1925, its shareholders include Dutch, German, French, Swiss and UK banks and insurers. UK shareholders include National Westminster bank and Commercial Union, whose Dutch subsidiaries, Van Lanschot Bankiers and Delta Lloyd own 0.9 per cent and 8.4 per cent respectively of NCM.

During 1990, NCM insured a total of Fl 89.9bn in shipments and announced a post-tax profit of Fl 33.6m.

The company enjoys a dominant position in the Dutch domestic credit insurance market from which it earns about 60 per cent of its premium income. But it is keen to extend its export credit insurance account beyond the Netherlands. Mr Harry Groen, chairman, said recently: "Our position in the Netherlands means that there are limits to the extent that we can grow in our home market. It's a small market so we have to look abroad, and specifically in Europe, to get volume. The volume of cross-border trade which is suitable for cover is growing: every insurer is looking for market share."

Six companies originally showed interest in ISG. Three responded. Trade Indemnity of the UK said it was interested in acquiring ISG over the longer term, while both Generali of Italy and NCM submitted bids.

Estimates of ISG's value range from £10m ($16m) to £120m.

Ferruzzi group chairman changes

MR Arturo Ferruzzi has been named the new chairman of Ferruzzi Finanziaria, the holding company of the Ferruzzi group, replacing Mr Raul Gardini's son, Mr Ivan Gardini, Reuter reports.

A Ferruzzi spokesman said the appointment was made at a board meeting following yesterday's annual meeting.

Analysts had expected the move following Mr Raul Gardini's departure last month as chairman of the Ferruzzi family company, Serafino Ferruzzi. Mr Arturo Ferruzzi, 51, succeeded Mr Raul Gardini.

Mr Ivan Gardini, 22, will remain a board member of Ferruzzi Finanziaria, the main holding company of the agro-industrial group. Mr Carlo Sama was named vice-chairman. He replaces Mr Sergio Cragnotti, who will remain on the board.

Mr Ivan Gardini was named Ferruzzi Finanziaria chairman last December, when his father resigned the position as part of his decision to withdraw from Italian business activities.

● Stet, the Italian state telecommunications group, should return a consolidated net profit of around L1,350bn ($1bn)this year, little changed from last year's L1370bn, Mr Umberto Silvestri, the managing director, said, Reuter reports.

He said consolidated turnover should reach L22,930bn lire, compared with L19,960bn in 1990, while investment will rise to L11780bn from L10,610bn last year.

Nordic transport group strikes two deals

BILSPEDITION, the Nordic region's largest private transport group, yesterday announced two deals as part of its expansion plan, writes Robert Taylor in Stockholm.

It is forming a jointly-owned transport company with Svenska Cellulosa Aktiebolaget, the Swedish forestry group. Bilspedition also said it had acquired Simpac, Australia's largest air and sea freight company.

The jointly-owned venture with SCA, which is to be called Interforest Shipping, opens on September 1, when it takes over the activities being run by SCA's own shipping division.

With share capital of SKr100m ($16m), Interforest Shipping will be based in Sundsvall, where SCA has its headquarters. It will have an initial transport capacity of around 2.5m tonnes of forest products.

INTERNATIONAL COMPANIES AND FINANCE

Boral increases estimate of fall in year's profit

By Kevin Brown in Sydney

BORAL, the Australian construction and building materials group, yesterday warned that net profits will fall by around 35 per cent for the year to the end of June.

Boral had earlier forecast a decline of around 28 per cent in net profits for the full year, following a fall of 28.2 per cent to A$128m (US$98.4m) in the first half to end-December.

However, the board said trading conditions had deteriorated more than expected in the second half. It also foreshadowed write-offs of A$31.6m to reflect lower forecast levels of demand for clay bricks in the US and concrete masonry in the UK.

Mr Bruce Kean, managing director, said the economy had not bottomed as early as expected. "Our view at the beginning of the year was that there would be a fair degree of strength developing in the economy in the second half. We thought it had bottomed at that stage," he said.

"I think the economy has bottomed overall now. But, having bottomed, it still has to bounce back again. All of the (pre-requisites for recovery) are in place, but that is not happening."

Mr Kean said he expected the housing market to show some improvements over the next 12 months, but forecast the recovery would be "modest" rather than dramatic.

Boral said the write-offs would largely offset the pre-tax profit from the sale of assets, including Boral Steel, earlier this year. Both the asset sales and write-offs are expected to be treated as abnormal items.

The group increased net profits by 4.3 per cent last year to A$322m, but warned that recession in the Australian market would make 1990-91 a difficult year.

Boral shares closed 2 cents higher on the Australian Stock Exchange at A$3.30.

Decline in tourism hits Dickson Concepts

By John Elliott in Hong Kong

POST-TAX profits at Dickson Concepts, a leading Hong Kong wholesaler and retailer of designer-label luxury goods, fell 30 per cent in the year to end-March to HK$222.59m (US$28.7m) from HK$318.58m in 1989-90.

Turnover was virtually unchanged at HK$2.17bn.

This was the first profit decline in the 11-year history of the company, which was founded by Mr Dickson Poon, a young entrepreneur, to cash in on a spending boom in Asia's fast-developing economies and to tap the tourist market. Dickson Concepts has now been hit by a decline in tourism, problems in Taiwan and an economic slow-down in Hong Kong.

The group is considering going ahead with a corporate restructuring which was delayed last year because of the Gulf war. This is expected to include flotation of operations in other countries, including a share quotation in Paris for its French S.T. Dupont subsidiary.

A final dividend of 16 cents has been declared, an increase of 10 per cent over the previous year when a bonus share issue last September is taken into account.

Ex-directors bid for NZI unit

By Terry Hall in Wellington

DIRECTORS of the former Wellington-based merchant bank Jarden Morgan yesterday launched a takeover bid for the remaining assets of the company, which is 43 per cent owned by NZI Corporation, a subsidiary of the Scottish-based General Accident.

The directors, all brokers, are making the bid through a private company, Silvias Holdings. They plan to list this company on the New Zealand stock exchange and then rename it Jarden Corporation, its former name.

Silvias Holdings is offering one ordinary share plus NZ$3 in cash for every 10 Jarden Morgan shares.

If successful, the offer would pay NZ$78.9m (US$45.4m) to Jarden Morgan shareholders. This is less than the NZ$100m the directors forecast two years ago that they would be able to repay shareholders after winding down the affairs of the troubled company, which grew out of the 1987 merger with Deak International. At one time it operated as a bullion dealer in London, Canada and the US and had numerous other broking and property assets.

Two weeks ago, the directors issued a "don't sell notice", saying leading shareholders were working towards a takeover following attempts by "two or three" large Asian investors to buy into the company.

The company has sold virtually all its financial services operations and is left with few assets. These include a 50 per cent holding in a Queensland property company, a number of commercial buildings and a 49 per cent holding in Singapore broker Paul Morgan.

The four directors making the bid said that, under an agreement with NZI Corporation, they would buy 80 per cent of NZI's stake in Silvias at 80 cents a share, which would give them 42 per cent of the company. They would then arrange a placement of NZI's remaining shares.

Goodman Fielder close to winding up Barcora

By Kevin Brown

GOODMAN Fielder Wattie, the Australasian foods group, yesterday cleared the way for the winding up of Barcora, the vehicle for an executive share scheme which was criticised by shareholders at last year's annual meeting.

Mr Ian Gilmour, company secretary, said Goodman had acquired control of Lorabond, a trust fund for executives which owned 51 per cent of Barcora, for a nominal fee of A$2.

The purchase gives Goodman 100 per cent control of Barcora and opens the way for the sale or cancellation of Barcora's sole asset – its 9.2 per cent stake in the parent company.

The complex Barcora scheme accounted for A$81m of Goodman's provisions and write-downs in 1989-90, when the group reported a net loss of A$85.6m (US$65.8m). Goodman promised to wind up the scheme after it was strongly criticised by shareholders.

The scheme was set up to provide incentives for Goodman executives while the company was being managed by Mr Pat Goodman, who remains chairman but has since handed management control to Mr Michael Nugent, chief executive. Mr Nugent has implemented a programme of cost reductions and asset sales intended to refocus the group on its core food activities in Australia and New Zealand, where it is a market leader.

Mr Greg Baxter, Goodman's corporate affairs manager, said the group was considering how and when to dispose of Barcora's shareholding, which is worth around A$185m at yesterday's closing price of A$1.85 on the Australian Stock Exchange.

"We view this action as being very positive in that it has removed almost the last barrier to us disposing of the (Barcora) parcel," he said. Goodman returned to the black in the first half to December with net profits of A$67.1m.

BHP to roll over A$1bn of A$6.5bn debt

BHP, Australia's largest company, has announced it will refinance more than A$1bn of its A$6.5bn of debt in the year to May 31 1992, Reuter reports from Melbourne.

Mr Geoff Heeley, general manager of finance, said this debt would be rolled over, unlike the 1990-91 period, when A$700m of debt was repaid from the proceeds of asset sales.

"We wouldn't expect to see a substantial reduction in our debt (in 1991-92)," he said at a company briefing.

He later added that the A$1bn of debt, most of which had been long-term at issue, represented most of the steel, energy and minerals group's debt maturing in 1991-92.

Sharp reduction in losses at DFC New Zealand

By Terry Hall

THE FAILED former state-owned investment bank DFC New Zealand, which is under statutory management, has reported a NZ$11m loss for the year to March 31, an improvement on 1989-90's NZ$1bn (US$578m) loss.

It has maintained its agreed debt repayments to creditors, repaying to date NZ$1.7bn of its total NZ$2.2bn debt, or 77 per cent of all money owed by the company.

DFC failed only months after being sold to a consortium led by the state pension scheme, the National Provident Fund and Salomon Brothers.

In October, its principal international creditors, mostly in Japan and Asia, but also in the UK and US, agreed to a scheme of arrangement which would see it trade its way out of its difficulties over a seven-year period.

The agreement removed the threat of court action and the NPF took full control of DFC. DFC has continued to liquidate its asset portfolio.

In the past year, its loan portfolio was cut almost in half from NZ$1bn in 1990 to NZ$550m at balance date, although the statutory manager, Mr Sandy Maier, said that more than NZ$400m of this was from systematically collecting money, not from writing off loans.

Since balance date, an active programme of property sales has been implemented, with a tender of 48 low to medium-priced buildings being sold, and a further 46 to be sold now.

Mr Maier said the result had been helped by large one-off extraordinary items. The result showed that the huge losses of the past had been stemmed.

He was cautiously optimistic about the future. Assets would continue to be sold to maximise returns to creditors without any fire sales. However, DFC would continue to be affected by the state of the economy and the health of the tourism, property and primary sectors, Mr Maier said.

Provision for doubtful loans, advances and other asset debts totalled NZ$67m, well down on the NZ$900m for 1990.

At March 31, half the balance sheet was in cash or easily converted assets with negligible credit risk. There was NZ$900m in liquid assets or securities, up from NZ$473m in 1990. Of that, NZ$600m was collateral for tier two or tier three debt.

In April, DFC's main creditors were paid NZ$600m, including interest and principal repayments, the most they were expecting under the scheduled repayments arrangement.

Operating costs were down by NZ$3m to NZ$20m.

Nissan Motor in telecom move

By Emiko Terazono in Tokyo

NISSAN MOTOR, the Japanese automobile company, plans to set up a new mobile communications company later this month with DDI, one of the two Japanese private carriers.

The new company, Tu-Ka Cellular Tokyo, will be capitalised at Y4bn ($29m) and will offer car telephone and portable telephone services. The news comes at a time when demand for mobile telephone services in Japan is surging, with the number of subscribers last year doubling to 900,000.

Nissan and DDI will each own 26 per cent of the company, while six foreign companies, including British Telecom and Nippon Motorola, are also included as shareholders.

Foreign companies are eager to become involved in mobile communications services as, aside from rapid growth, the introduction of digital systems are expected to pave the way for overseas companies to enter the market. Domestic electronics makers such as Sony and Hitachi have also decided to join the ownership ahead of the expected liberalisation of the cellular phone market next year.

Nissan expects the new company to start offering services in 1994.

Tate & Lyle controls 70% of Bundaberg

By Kevin Brown

TATE & LYLE, the British sweeteners group, had acquired 70.4 per cent of the Australian Bundaberg Sugar company by last night, following its decision to declare its A$325m (US$250m) offer unconditional.

Tate & Lyle won control of Bundaberg on Friday when last-minute acceptances by Australian institutional shareholders lifted its A$4.10-a-share bid to more than 50 per cent. However, Beerworth and Partners, Tate's Australian advisers, said the group was still hoping to achieve 90 per cent acceptance of the offer by July 9, when the bid closes.

The 90 per cent acceptance level triggers a regulatory provision allowing bidders to move to 100 per cent control by compulsorily acquiring outstanding shares from minority shareholders.

The Bundaberg board, which strongly opposed the Tate & Lyle bid, said minority shareholders should accept the offer, which directors earlier said was too low to reflect the long-term value of the company. Mr Roy Deicke, chairman, said it was now unlikely the offer would be improved, and admitted that the offer of a rival bid emerging was remote.

He warned shareholders that the market price of Bundaberg shares was likely to fall in the short term because of the weak sugar market and the company's forecast of lower profits for the current year.

NORSK HYDRO A/S
12% EURO-NOK LOAN OF 1983/1991

Final (6th) instalment - 15/10-1991

The remaining bonds:

3500, each of NOK 10000,-, in all NOK 35.000.000

are due for redemption on 15th October 1991.

Bonds shall be presented for redemption as follows:

Place of payment in Norway:
Den norske Bank, Oslo

Places of payment outside Norway:
Den norske Bank (Luxembourg) S.A., Luxembourg
Deutsche Bank Aktiengesellschaft, Frankfurt
Hambros Bank Limited, London

Previously drawn but unpresented:

6 - 10/90	874 - 10/90	1092 - 10/90	2011 - 10/90
121 - 10/90	876 - 10/90	1097 - 10/90	2014 - 10/90
131 - 10/90	878 - 10/90	1098 - 10/90	2038 - 10/90
151 - 10/89	879 - 10/89	1111 - 10/90	2039 - 10/89
161 - 10/90	880 - 10/89	1116 - 10/90	2085 - 10/88
162 - 10/90	881 - 10/90	1123 - 10/90	2095 - 10/88
164 - 10/90	886 - 10/90	1124 - 10/90	2116 - 10/89
165 - 10/89	892 - 10/90	1366 - 10/90	2119 - 10/89
172 - 10/89	922 - 10/89	1373 - 10/90	2121 - 10/89
202 - 10/90	923 - 10/90	1402 - 10/89	2131 - 10/90
215 - 10/90	924 - 10/90	1437 - 10/90	*2184 - 10/88
225 - 10/90	931 - 10/90	1438 - 10/90	2269 - 10/90
321 - 10/90	938 - 10/90	1444 - 10/90	2274 - 10/90
373 - 10/89	942 - 10/90	1480 - 10/89	2330 - 10/89
407 - 10/90	943 - 10/90	1513 - 10/90	2354 - 10/90
440 - 10/90	954 - 10/90	1519 - 10/90	2357 - 10/90
441 - 10/90	956 - 10/90	1525 - 10/90	2482 - 10/90
442 - 10/90	957 - 10/90	1536 - 10/90	2610 - 10/90
443 - 10/90	964 - 10/90	1537 - 10/90	2621 - 10/90
509 - 10/90	984 - 10/89	1554 - 10/90	2640 - 10/90
511 - 10/90	985 - 10/90	1569 - 10/90	2659 - 10/90
514 - 10/90	986 - 10/88	1570 - 10/89	2664 - 10/90
521 - 10/90	988 - 10/88	1584 - 10/90	2668 - 10/90
528 - 10/90	989 - 10/89	1585 - 10/89	2670 - 10/90
529 - 10/90	990 - 10/90	1586 - 10/89	2672 - 10/90
549 - 10/90	1003 - 10/89	1619 - 10/90	2673 - 10/90
550 - 10/90	1012 - 10/90	1652 - 10/90	2677 - 10/90
558 - 10/90	1016 - 10/90	1672 - 10/90	2678 - 10/90
566 - 10/90	1017 - 10/90	1746 - 10/90	2694 - 10/90
818 - 10/90	1048 - 10/90	1749 - 10/90	2698 - 10/90
819 - 10/90	1054 - 10/90	1758 - 10/90	2701 - 10/90
823 - 10/90	1057 - 10/90	1766 - 10/90	2702 - 10/90
824 - 10/90	1061 - 10/90	1913 - 10/90	2712 - 10/89
830 - 10/90	1081 - 10/90	1921 - 10/90	2715 - 10/90
864 - 10/90	1084 - 10/90	1950 - 10/90	2716 - 10/90
872 - 10/90	1085 - 10/90	2001 - 10/90	2732 - 10/90

2735 - 10/90	3556 - 10/90	5175 - 10/90	6726 - 10/90
2758 - 10/90	3670 - 10/90	5176 - 10/90	6918 - 10/90
2759 - 10/90	3770 - 10/90	5182 - 10/90	7005 - 10/90
2767 - 10/90	3773 - 10/90	5215 - 10/90	7611 - 10/89
2771 - 10/90	3778 - 10/90	5217 - 10/89	7614 - 10/90
2804 - 10/90	3780 - 10/90	5227 - 10/90	7615 - 10/90
2815 - 10/90	3787 - 10/90	5267 - 10/90	7616 - 10/90
2846 - 10/90	3791 - 10/90	5276 - 10/90	7618 - 10/89
2852 - 10/89	3832 - 10/90	5288 - 10/90	7620 - 10/89
2853 - 10/89	3882 - 10/89	5357 - 10/89	7622 - 10/90
2855 - 10/90	3884 - 10/90	5397 - 10/90	7715 - 10/90
2857 - 10/88	3889 - 10/90	5398 - 10/89	7945 - 10/90
2883 - 10/89	3997 - 10/90	5399 - 10/89	7950 - 10/90
2884 - 10/90	4027 - 10/90	5400 - 10/88	8090 - 10/89
2885 - 10/89	4030 - 10/90	5409 - 10/88	8093 - 10/89
2887 - 10/89	4065 - 10/89	5411 - 10/90	8094 - 10/89
2889 - 10/90	4155 - 10/90	5569 - 10/89	8102 - 10/90
2890 - 10/89	4159 - 10/89	5871 - 10/90	8111 - 10/90
2895 - 10/89	4195 - 10/90	5916 - 10/90	8458 - 10/90
2900 - 10/90	4198 - 10/90	5988 - 10/88	8655 - 10/86
2910 - 10/90	4201 - 10/89	5994 - 10/90	8656 - 10/86
2943 - 10/89	4221 - 10/90	6039 - 10/88	*8659 - 10/90
2993 - 10/86	4235 - 10/89	6040 - 10/90	8893 - 10/90
3025 - 10/90	4286 - 10/90	6109 - 10/90	*9012 - 10/90
3027 - 10/90	4290 - 10/90	6307 - 10/90	*9014 - 10/90
3040 - 10/90	4305 - 10/90	6319 - 10/90	9029 - 10/90
3041 - 10/90	4475 - 10/88	6320 - 10/90	*9044 - 10/90
3044 - 10/90	4516 - 10/87	6322 - 10/90	*9045 - 10/89
3045 - 10/90	4517 - 10/89	6396 - 10/89	*9047 - 10/90
3054 - 10/90	4518 - 10/88	6432 - 10/89	*9049 - 10/89
3056 - 10/90	4545 - 10/90	6433 - 10/90	*9051 - 10/89
3082 - 10/90	4586 - 10/90	6475 - 10/89	*9058 - 10/90
3086 - 10/90	4682 - 10/90	6519 - 10/89	*9060 - 10/89
3087 - 10/90	4700 - 10/90	6520 - 10/89	*9073 - 10/89
3111 - 10/89	4783 - 10/88	6525 - 10/90	*9076 - 10/89
3122 - 10/90	4815 - 10/90	6526 - 10/90	9177 - 10/90
3124 - 10/89	4817 - 10/90	6527 - 10/90	9178 - 10/90
3157 - 10/90	4819 - 10/90	6529 - 10/90	16364 - 10/90
3161 - 10/90	4898 - 10/90	6533 - 10/90	16454 - 10/90
3427 - 10/88	4903 - 10/90	6534 - 10/90	16707 - 10/89
3429 - 10/90	4963 - 10/90	6557 - 10/90	16708 - 10/90
3435 - 10/89	4968 - 10/90	6632 - 10/90	16723 - 10/90
3437 - 10/89	5001 - 10/90	6655 - 10/90	16724 - 10/90
3494 - 10/89	5028 - 10/90	6704 - 10/90	19305 - 10/89
3547 - 10/90	5081 - 10/90	6709 - 10/90	
3550 - 10/90	5083 - 10/90	6723 - 10/90	
3555 - 10/90	5145 - 10/87	6725 - 10/90	

* NOTE: The following bonds and interest coupons have been reported lost or stolen and must not be honoured:
Bond nos. 2184 8659 9012 9014 9044
9045 9047 9049 9051 9058
9060 9073 9076

Oslo, 5th June 1991

Den norske Bank

PIONEER ELECTRONIC CORPORATION

Notice is hereby given to holders of CDR's issued by Caribbean Depositary Company N.V., Curaçao, evidencing shares in the above Company that the annual report of Pioneer Electronic Corporation for the year ended March 31, 1991, may be obtained from:

Caribbean Depositary Company N.V., 6 John B. Gorsiraweg, Willemstad, Curaçao.
N.V. Nederlandsch Administratie- en Trustkantoor, N.Z. Voorburgwal 326-328, 1012 RW Amsterdam.
The Bank of Tokyo Ltd., established in Tokyo, Brussels, London, Düsseldorf, Paris and New York.

Amsterdam, June 27, 1991

N.V. Nederlandsch Administratie- en Trustkantoor

U. S.$100,000,000

Floating Rate Subordinated Loan Participation Certificates due 2000

issued by *The Nikko Securities Co. (Deutschland) GmbH* for the purpose of funding and maintaining a subordinated loan to

The Ashikaga Bank, Ltd.

Notice is hereby given that for the three months interest period from 28 June, 1991 to 30 September, 1991 the Certificates will carry a Coupon Rate of 6. 5375 % per annum.

Coupon payable on 30 September, 1991 will amount to: US$1,707.01 per US$100,000.00 Certificate.

The Mitsubishi Bank Limited London Branch

As Agent Bank

£150,000,000

HALIFAX BUILDING SOCIETY

Floating Rate Loan Notes Due 1998 (Series A)

Interest Rate	11.705%
Interest Period	28th June 1991 31st July 1991
Interest Amount due 31st July 1991 per £ 5,000.00 Note	£ 52.81
£50,000.00 Note	£528.13

Credit Suisse First Boston Limited
Agent

ALLIANCE + LEICESTER

Alliance & Leicester Building Society

£200,000,000

Floating Rate Notes due 1993

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 30th September, 1991, has been fixed at 11.5% per annum. The interest accruing for such three month period will be £296.16 per £10,000 Bearer Note, and £2,961.64 per £100,000 Bearer Note, on 30th September, 1991, against presentation of Coupon No. 12.

Union Bank of Switzerland London Branch Agent Bank

28th June, 1991.

Yorkshire International Finance B.V.

£20,540,000

Guaranteed Floating Rate Notes due 1994

Guaranteed on an unsubordinated basis by

Yorkshire Bank PLC

In accordance with the provisions of the Notes, Notice is hereby given that for the three month period June 28, 1991 to September 30, 1991 the Notes will carry an interest rate of 11⅝% per annum with a coupon amount of £148.08 per £5,000 Note.

NatWest Capital Markets Limited

Agent Bank

DEN NORSKE STATS OLJESELSKAP A.S. (STATOIL)

FF 750,000,000

Floating Rate Notes due 1993

In accordance with the terms and conditions of the Notes notice is hereby given that the Rate of Interest for the Interest Period 28th June 1991 to 30th September 1991 has been fixed at 10.125% per annum. The interest payable on the relevant Interest Payment Date, 30th September 1991, will be FF2643.77 per FF100,000 Note and FF264.38 per FF10,000 Note.

Banque Nationale de Paris p.l.c.
Reference Agent

INTERNATIONAL COMPANIES AND FINANCE

Amgen takes $88m charge to cover damage award

By Karen Zagor in New York

AMGEN, the stock market darling that has been hailed as the first bio-technology company capable of making the transition into an independent, full-scale drugs company, yesterday revealed it would take an after-tax charge of $88.5m against earnings in the quarter to June 30.

The charge is to cover damages awarded to Johnson & Johnson over the marketing of erythropoietin (EPO), a drug that stimulates white blood cell production.

Amgen's stock price has soared since March, when its patent for EPO in the US was upheld by a federal court, which also ruled that a similar drug developed by Genetics Institute infringed on Amgen's patent.

Shares in Amgen, which have traded in a range of $137 to $38¾ in the last 52 weeks, dropped $1¼ at mid-day yesterday to $116⅝. Johnson & Johnson added $⅜ to $84⅞.

At issue is a 1985 agreement with Johnson & Johnson to market and manufacture three Amgen products – EPO, IL-2 and a Hepatitis B vaccine – in the US. Amgen has control of EPO to treat anaemia in kidney dialysis patients, while Johnson & Johnson has responsibility for the drug in non-dialysis patients.

Amgen said that no payment for EPO damages would be made until a final judgment was given on Amgen's claims for damages against Johnson & Johnson for the two other products. No decisions are expected before mid-1992.

Mr Gordon Binder, Amgen's chairman and chief executive, said the company had about $225m in cash and equivalents and a $100m line of credit which it had not used. "The ultimate payment of damages in this arbitration is not expected to have a material adverse impact on the operations of Amgen," he said.

In addition to the Johnson & Johnson litigation, Amgen is now facing a challenge over its exclusive EPO patent in the US. Genetics Institute yesterday said it had petitioned the Supreme Court to overturn the lower court decisions validating Amgen's patent.

Amgen believes it is unlikely that the Supreme Court will grant this petition and also very unlikely that Genetics Institute will prevail if the petition were granted.

Amgen has also filed its own motion against Genetics Institute requesting the reinstatement of a permanent injunction against Genetics Institute and reinstating the escrow account for Genetics Institute's proceeds from its past shipments of EPO.

Caterpillar issues new warning on profits

By Barbara Durr in Chicago

CATERPILLAR, the world's largest maker of earth-moving equipment, has issued a new warning that its second-quarter results were expected to decline.

Moreover, the company said that the US recession and Brazil's economic difficulties were probably going to mean a loss for the full year.

Orders and sales, which are normally strong in the second quarter, have continued at depressed levels, according to the company.

A downturn in the construction industry has hit Caterpillar especially hard. The normal additions to construction fleets for summer activity have not materialised, a company spokesman said.

Caterpillar also predicted that a sufficient improvement in the US economy was unlikely to occur soon enough in 1991 to better the company's results for the year. The company reported a first-quarter net loss of $32m, or 32 cents per share, compared with net income of $99m, or 99 cents per share, last year.

The grim outlook for this year follows a 58 per cent plunge in net profits in 1990.

By mid-day on the New York Stock Exchange, the company's warning had prompted a share price drop of $⅛ to $49¼. While the decline was small, it came during a strong overall rise on the market.

Brazil approves Embraer rescue

By Victoria Griffith in Sao Paulo

THE BRAZILIAN government has authorised a $407m package to save Embraer, the state-owned aircraft manufacturer. The company is due to receive $240m this month and the rest by the end of the year.

The rescue plan also calls on the company to find a partner to help develop its new commercial aircraft.

The Brazilian senate approved the package over the weekend at the request of Mr Marcilio Marques Moreira, the economics minister. According to the ministry, the package is the first step towards Embraer's privatisation.

Embraer also announced the appointment of a new president, Col Ozires Silva, a former infrastructure minister. Col Silva, an air force officer, previously headed Embraer for 16 years before his departure in 1986. He also served as president of Petrobras, the state-owned oil group.

He replaces Mr Joao Cunham who resigned from the presidency of Embraer last week, before approval of the financial package. All of the group's directors also handed in their resignations in what Mr Cunha called a gesture of solidarity. Mr Cunha said last week he was leaving Embraer for personal reasons.

Embraer said several of the directors' resignations would probably not be accepted and they would stay on at the group.

Under the terms of the new financial package, repayment will be scheduled over five to seven years. "The money will be used to pay back suppliers and banks," said an Embraer spokesman.

The joint venture proposal is centred on the development and production of the company's new commercial model, the EMB-145. Embraer will invest $100m in the project and is seeking an additional $350m investment from a foreign company. Several US companies have already expressed interest, according to Embraer.

The financial package also includes unlimited export financing for the group's commercial model, the Brasilia, a 30-seat commuter aircraft.

First Interstate lifts provisions for loan losses

SHARES of First Interstate Bancorp, the Los Angeles-based bank, tumbled yesterday after the company said it would make further provisions against problem loans which will result in a loss of about $80m in the second quarter of 1991, Reuter reports.

The company also said it would recommend a cut in the dividend to 30 cents a share from 75 cents.

First Interstate's shares dropped 2⅝ to 28⅝ in early trading.

In mid-June, officials at First Interstate held talks with analysts during which they said the bank's dividend could be cut.

At that time, First Interstate said it was concerned about an increase in problem loans in Nevada. Yesterday, it said the higher loan loss provision would cover problem areas, particularly Nevada and Oregon.

The company said results for this year's second quarter will also reflect an increase of about $160m in its provision for potential loan losses. That figure compares with this year's first-quarter provision of $135.2m.

The company has a loan portfolio of about $2.1bn in its Nevada bank and a portfolio of about $3.8bn in its Oregon subsidiary. Its total loan portfolio stands at about $31.3bn.

The company said that results had been adversely affected by the impact of the Gulf war on its Nevada customers, many of whom rely on tourism for their business.

Asahi buys 45.9% stake in Splintex

ASAHI Glass, the leading Japanese glass-maker, has acquired a 45.9 per cent stake in Splintex, a Belgian manufacturer of auto glass parts, AP-DJ reports.

Splintex was a wholly-owned subsidiary of Glaverbel, a general glass-maker based in Brussels, until Asahi made its stock purchase on June 20 for an undisclosed price.

Glaverbel still holds 54.1 per cent of Splintex.

Asahi said it planned to invest Y6bn ($43.8m) in the construction of Splintex's Fleurus factory in southern Belgium, which is scheduled to begin production late next year.

Splintex currently has 710 employees. It generated BFr3.3bn ($88.5m) in sales in 1990.

Asahi said it expected the auto glass-maker to post sales of BFr6.5bn a year in 1995. By then the company is expected to be employing about 870 people.

United Airlines to expand service at Orlando airport

UNITED Airlines, one of the two biggest US carriers, is to create a key connecting complex at Orlando international airport in Florida. The complex would nearly triple the carrier's daily Orlando flights from 18 to 47, starting October 31, Reuter reports.

The airline said it would provide scheduled flights to 18 points throughout the US, with total daily seats available to Orlando jumping to 6,384 from 2,672.

United said the new service would make it the second largest carrier serving the popular holiday destination. Delta Air Lines is the first.

"The build-up at Orlando represents the largest domestic east coast expansion by United since the opening of our hub at Washington DC's Dulles International Airport five years ago," said Mr Stephen Wolf, UAL chairman said.

The hub will comprise three groupings of flights a day northbound and southbound, the airline said.

● America West, the Phoenix-based regional airline which went into Chapter 11 bankruptcy proceedings last week, yesterday announced details of a "route alignment" plan. The carrier plans to eliminate 22 flights in eight cities and add 37 flights in 11 cities, writes Nikki Tait in New York.

The planned expansion into St Louis, which is dominated by the Trans World Airlines' hub, went ahead yesterday with the ailing airline offering three non-stop, round-trip flights between St Louis and Phoenix, and one round-trip night flight between St Louis and Las Vegas.

Services to Atlanta are scheduled to begin on August 30. Routes with additional service include Houston-Las Vegas, Dallas-Phoenix, Dallas-Las Vegas, Boston-Las Vegas, Newark-Las Vegas and Denver-Las Vegas.

However, flights to a number of cities in California and to New York's LaGuardia airport are being eliminated.

America West said around 75 people will displaced as a result of this action, although efforts will be made to relocate them elsewhere in the group.

About 20 per cent of America West's shares are held by Ansett Airlines, the Australian company which, in turn, is owned by TNT and News Corporation.

The airline is the fifth US carrier to file for Chapter 11 bankruptcy protection.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 02.07.91: Pool purchase price £/MWh	Final Prices for Trading on 01.07.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.95	16.25	16.26
0100	15.95	16.25	16.26
0130	15.95	16.17	16.17
0200	15.95	16.17	16.17
0230	15.95	16.17	16.17
0300	15.95	16.17	16.17
0330	15.95	16.17	16.17
0400	15.95	16.17	16.17
0430	15.95	16.17	16.17
0500	15.95	16.17	16.17
0530	15.82	16.25	16.25
0600	15.82	16.19	16.19
0630	16.13	16.27	16.27
0700	16.20	18.61	20.12
0730	18.49	19.37	20.90
0800	20.76	19.61	21.19
0830	21.31	22.61	24.41
0900	21.74	24.91	26.54
0930	27.37	25.69	28.18
1000	27.34	26.46	29.09
1030	27.17	25.99	28.58
1100	27.26	25.65	28.11
1130	22.41	25.79	28.28
1200	23.27	26.16	28.73
1230	23.22	26.02	28.55
1300	22.68	25.01	27.31
1330	21.62	23.56	25.55
1400	21.63	22.69	24.47
1430	21.78	30.20	32.08
1500	21.47	30.23	32.12
1530	21.40	30.30	32.20
1600	21.77	30.76	32.79
1630	21.80	31.65	34.13
1700	21.93	33.12	35.69
1730	21.61	32.76	35.24
1800	21.04	31.48	33.72
1830	20.58	21.39	22.93
1900	19.24	19.82	21.15
1930	18.79	19.37	20.90
2000	18.57	18.96	20.46
2030	18.65	18.92	20.44
2100	19.83	21.00	22.57
2130	20.00	21.00	21.00
2200	20.00	21.00	22.64
2230	20.00	21.00	22.63
2300	20.00	20.98	20.98
2330	18.48	18.27	16.87
2400	16.13	16.30	16.30

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

BWIA seeks foreign partners

By Paul Betts, Aerospace Correspondent

BRITISH West Indian Airways, the international carrier owned by the government of Trinidad and Tobago, is seeking strategic foreign partners as part of its privatisation programme.

Mr Joseph Esau, BWIA's new executive chairman, yesterday said he hoped to forge a strategic alliance with another international carrier before the end of this year.

He did not rule out the possibility of negotiating partnerships with more than one airline, including a European and a US carrier. Europe and the US are BWIA's two main international markets.

A partnership with a foreign carrier acquiring at least a 20 per cent stake in BWIA would constitute the first phase of the Caribbean airline's privatisation. The initial phase would also see the airline's employees taking a 10 per cent stake through a share option programme.

BWIA has already held preliminary discussions with potential foreign partners but has not disclosed their identities. British Airways is believed to have been among them.

Mr Esau is also launching a restructuring programme to return the airline to profitability. "We intend to make the airline viable by necessary adjustments during the course of the next six months," he said.

The airline has traditionally operated at a loss. "Our aim is to change this position dramatically," Mr Esau said. BWIA, which had revenues of about $200m last year, employs 2,500 people and operates a fleet of 13 aircraft.

The Trinidad and Tobago authorities have also agreed to help restructure the airline's balance sheet through a $50m injection of fresh equity funds, including the conversion of about $20m of debt into equity and a $30m convertible bond.

The second phase of the privatisation programme would involve the sale by private placement, in the English-speaking Caribbean area, of the remaining government stake and the listing of the company on the region's three stock exchanges, Mr Esau said. This is expected to take place in 1993.

Mr Esau was appointed executive chairman in May as part of a reorganisation of the airline's board.

Boise Cascade sells Oregon timber tract for $96m cash

BOISE Cascade, the US forest products group, is selling timberland in western Oregon to Agency Creek Management, a subsidiary of Hampton Resources, for about $96m in cash, Reuter reports.

Proceeds from the sale, which is subject to certain contingencies, will be used to reduce debt.

The tract, covering nearly 30,000 acres, represents about 2 per cent of Boise's fee-owned timberland in the north-west.

The company also said that Willamina Lumber, also a subsidiary of Hampton Resources, agreed to supply it with wood chips under a long-term contract.

● Noranda Forest, the Canadian forestry company, plans to seek C$160m (US$140.4m) through a rights offer, writes Robert Gibbens in Montreal.

Noranda, the resource arm of Brascan and the parent company of Noranda Forest, will maintain its 82 per cent holding in Noranda Forest, providing about $130m. Terms of the issue are to given at a later date.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, July 1, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	61.4551	33.7298	44.4071
Albania	(Lek)	10.0976	6.2523	3.4316	4.5179
Algeria	(Dinar)	29.2663	18.1215	9.946	13.0945
Andorra	(Fr Fr)	9.9650	6.1702	3.3865	4.4586
	(Sp Peseta)	184.10	113.994	62.5658	82.3713
Angola	(Kwanza)	104.3290	64.6	35.4559	46.6796
Antigua	(E Carr $)	4.3875	2.7167	1.491	1.963
Argentina	(Austral)	16306.00	10096.6	5541.55	7295.75
Aruba	(Florin)	2.9088	1.8011	0.9885	1.3014
Australia	(Aus $)	2.1150	1.3095	0.7187	0.9463
Austria	(Schilling)	20.645	12.7832	7.0161	9.2371
Azores	(Port Escudo)	254.10	157.337	86.3551	113.691
Bahamas	(Bahama $)	1.6150	1	0.5488	0.7225
Bahrain	(Dinar)	0.6107	0.3781	0.2075	0.2732
Balearic Is	(Sp Peseta)	184.10	113.994	62.5658	82.3713
Bangladesh	(Taka)	56.00	34.6749	19.0314	25.0559
Barbados	(Barb $)	3.2684	2.0237	1.1107	1.4623
Belgium	(Belg Fr)	60.30	37.3374	20.4927	26.9798
Belize	(B $)	3.2500	2.0123	1.1045	1.4542
Benin	(CFA Fr)	498.25	308.514	169.329	222.931
Bermuda	(Bermudian $)	1.6150	1	0.5488	0.7225
Bhutan	(Ngultrum)	34.09	21.1083	11.5853	15.2527
Bolivia	(Boliviano)	5.8013	3.5921	1.9715	2.5956
Botswana	(Pula)	3.3759	2.0903	1.1472	1.5104
Brazil	(Cruzeiro)	508.20	314.675	172.71	227.383
Brunei	(Brunei $)	2.8620	1.7721	0.9726	1.2805
Bulgaria	(Lev)	31.014	19.2037	10.54	13.8765
Burkina Faso	(CFA Fr)	498.25	308.514	169.329	222.931
Burma	(Kyat)	10.799	6.6866	3.67	4.8317
Burundi	(Burundi Fr)	287.50	178.019	97.706	128.635
Cambodia	(Riel)	975.00	603.715	331.351	436.242
Cameroon	(CFA Fr)	498.25	308.514	169.329	222.931
Canada	(Canadian $)	1.8465	1.1433	0.6275	0.8261
Canary Is	(Sp Peseta)	184.10	113.994	62.5658	82.3713
Cp. Verde	(CV Escudo)	126.9450	78.6037	43.1418	56.7986
Cayman Is	(CI $)	1.3488	0.8351	0.4583	0.6034
Cent.Afr. Rep	(CFA Fr)	498.25	308.514	169.329	222.931
Chad	(CFA Fr)	498.25	308.514	169.329	222.931
Chile	(Chilean Peso)	583.65	361.393	198.352	261.141
China	(Renminbi Yuan)	8.7618	5.4252	2.9776	3.9202
Colombia	(Col Peso)	1011.97	626.607	343.915	452.783
Comoros	(CFA Fr)	498.25	308.514	169.329	222.931
Congo (Brazz)	(CFA Fr)	498.25	308.514	169.329	222.931
Costa Rica	(Colon)	200.6875	124.265	68.203	89.793
Côte d'Ivoire	(CFA Fr)	498.25	308.514	169.329	222.931
Cuba	(Cuban Peso)	1.2943	0.8014	0.4398	0.5791
Cyprus	(Cyprus £)	0.7900	0.4891	0.2684	0.3534
Czechoslovakia	(Koruna)	50.73c	31.4117	17.2404	22.6979
		48.90t	30.2786	16.6185	21.8791
Denmark	(Danish Kroner)	11.3375	7.0201	3.853	5.0727
Djibouti Rep	(Djib Fr)	285.00	176.471	96.8564	127.517
Dominica	(E Carrib $)	4.3875	2.7167	1.491	1.963
Dominican Rep	(D Peso)	20.7513	12.8491	7.0522	9.2846
Ecuador	(Sucre)	1657.66o	1026.41	563.351	741.682
		1821.36a	1127.78	618.984	814.926
Egypt	(Egyptian £)	5.4000	3.3436	1.8351	2.4161
El Salvador	(Colon)	13.0190	8.0613	4.4244	5.825
Equat'l Guinea	(CFA Fr)	498.25	308.514	169.329	222.931
Ethiopia	(Ethiopian Birr)	3.3400	2.0681	1.135	1.4944
Falkland Is	(Falk £)	1.00	0.6191	0.3398	0.4474
Faroe Is	(Danish Kroner)	11.3375	7.0201	3.853	5.0727
Fiji Is	(Fiji $)	2.4520	1.5182	0.8333	1.097
Finland	(Markka)	6.9622	4.3109	2.366	3.115
France	(Fr)	9.9650	6.1702	3.3865	4.4586
Fr. Cty/Africa	(CFA Fr)	498.25	308.514	169.329	222.931
Fr. Guiana	(Local Fr)	9.9650	6.1702	3.3865	4.4586
Fr. Pacific Is	(CFP Fr)	180.00	111.455	61.1724	80.5369
Gabon	(CFA Fr)	498.25	308.514	169.329	222.931
Gambia	(Dalasi)	14.2626	8.8313	4.8471	6.3814
Germany	(D-Mark)	2.9425	1.8219	1	1.3165
Ghana	(Cedi)	593.1030	367.246	201.564	265.37
Gibraltar	(Gib £)	1.00	0.6191	0.3398	0.4474
Greece	(Drachma)	321.37	198.991	109.217	143.79
Greenland	(Danish Krone)	11.3375	7.0201	3.853	5.0727
Grenada	(E Carr $)	4.3875	2.7167	1.491	1.963
Guadaloupe	(Local Fr)	9.9650	6.1702	3.3865	4.4586
Guam	(US $)	1.6150	1	0.5488	0.7225
Guatemala	(Quetzal)	7.9325	4.9117	2.6958	3.5492
Guinea	(Fr)	1007.50a	623.839	342.396	450.783
		487.50n	301.858	165.675	218.121
Guinea-Bissau	(Peso)	1056.25	654.025	358.963	472.595
Guyana	(Guyanese $)	206.375	127.786	70.1359	92.3378
Haiti	(Gourde)	8.1250	5	2.7612	3.6353
Honduras	(Lempira)	9.1650	5.6749	3.1146	4.1006
Hong Kong	(HK $)	12.6120	7.8092	4.2861	5.6429
Hungary	(Forint)	126.1552	78.1146	42.8734	56.4452
Iceland	(Icelandic Krona)	102.2530	63.3145	34.7503	45.7507
India	(Indian Rupee)	34.09	21.1083	11.5853	15.2527
Indonesia	(Rupiah)	3175.665	1966.36	1079.24	1420.88
Iran	(Rial)	112.50	69.6594	38.2327	50.3355
Iraq	(Iraqi Dinar)	0.5936	0.3675	0.2017	0.2655
Irish Rep	(Punt)	1.0975	0.6795	0.3729	0.491
Israel	(Shekel)	4.0100	2.4829	1.3627	1.7941
Italy	(Lira)	2187.00	1354.18	743.246	978.523
Jamaica	(Jamaican $)	16.1625	10.0077	5.4927	7.2315
Japan	(Yen)	223.50	138.39	75.9558	100
Jordan	(Jordanian Dinar)	1.0964	0.6788	0.3726	0.4905
Kenya	(Kenya Shilling)	46.5725	28.8374	15.8275	20.8378
Kiribati	(Australian $)	2.1150	1.3095	0.7187	0.9463
Korea North	(Won)	1.5763	0.976	0.5357	0.7052
Korea South	(Won)	1172.52	726.019	398.477	524.617
Kuwait	(Kuwaiti Dinar)	0.47735	0.2955	0.1622	0.2135
Laos	(New Kip)	1137.50	704.334	386.576	508.949
Lebanon	(Lebanese £)	1469.00	909.598	499.235	657.271
Lesotho	(Maluti)	4.6885	2.903	1.5933	2.0977
Liberia	(Liberian $)	1.6150	1	0.5488	0.7225
Libya	(Libyan Dinar)	0.4812	0.2979	0.1635	0.2153
Liechenstein	(Swiss Fr)	2.5275	1.565	0.8589	1.1308
Luxembourg	(Lux Fr)	60.30	37.3374	20.4927	26.9798
Macao	(Pataca)	13.0010	8.0501	4.4183	5.817
Madagascar	(MG Fr)	2968.50	1838.08	1008.84	1328.19
Madeira	(Port Escudo)	254.10	157.337	86.3551	113.691
Malawi	(Kwacha)	4.7531	2.943	1.6153	2.1266
Malaysia	(Ringgit)	4.5200	2.7987	1.5361	2.0223
Maldive Is	(Rufiya)	16.2013	10.0317	5.5059	7.2489
Mali Rep	(CFA Fr)	498.25	308.514	169.329	222.931
Malta	(Maltese £)	0.5580	0.3455	0.1896	0.2496
Martinique	(Local Fr)	9.9650	6.1702	3.3865	4.4586
Mauritania	(Ouguiya)	134.9725	83.5743	45.87	60.3903
Mauritius	(Maur Rupee)	27.05	16.7492	9.1928	12.1029
Mexico	(Mexican Peso)	4900.00a	3034.06	1665.25	2192.39
		4894.17d	3030.45	1663.27	2189.79
Miquelon	(Local Fr)	9.9650	6.1702	3.3865	4.4586
Monaco	(French Fr)	9.9650	6.1702	3.3865	4.4586
Mongolia	(Tugrik)	5.4527	3.3762	1.853	2.4396
Montserrat	(E Carr $)	4.3875	2.7167	1.491	1.963
Morocco	(Dirham)	14.7600	9.1393	5.0161	6.604
Mozambique	(Metical)	2462.87	1525	836.999	1101.96
Namibia	(S A Rand)	4.6885	2.903	1.5933	2.0977
Nauru Is	(Australian $)	2.1150	1.3095	0.7187	0.9463
Nepal	(Nepalese Rupee)	54.2896	33.6158	18.4501	24.2906
Netherlands	(Guilder)	3.3125	2.051	1.1257	1.4821
N'nd Antilles	(A/Guilder)	2.9088	1.8011	0.9885	1.3014
New Zealand	(NZ $)	2.8470	1.7628	0.9675	1.2738
Nicaragua	(Gold Cordoba)	8.1250	5.0309	2.7612	3.6353
Niger Rep	(CFA Fr)	498.25	308.514	169.329	222.931
Nigeria	(Naira)	16.9813	10.5147	5.771	7.5978
Norway	(Nor. Krone)	11.4300	7.0773	3.8844	5.114
Oman	(Rial Omani)	0.6237	0.3861	0.2119	0.279
Pakistan	(Pak. Rupee)	39.00	24.1486	13.254	17.4496
Panama	(Balboa)	1.6150	1	0.5488	0.7225
Papua New Guinea	(Kina)	1.5645	0.9687	0.5316	0.7
Paraguay	(Guarani)	2145.28	1328.35	729.067	959.857
Peru	(New Sol)	1.3800	0.8544	0.4689	0.6174
Philippines	(Peso)	43.00	26.6253	14.6134	19.2393
Pitcairn Is	(£ Sterling)	1.00	0.6191	0.3398	0.4474
	(NZ $)	2.8470	1.7628	0.9675	1.2738
Poland	(Zloty)	18684.00	11569	6349.7	8359.73
Portugal	(Escudo)	254.10	157.337	86.3551	113.691
Puerto Rico	(US $)	1.6150	1	0.5488	0.7225
Qatar	(Riyal)	5.8968	3.6512	2.004	2.6383
Reunion Is. de la	(F Fr)	9.9650	6.1702	3.3865	4.4586
Romania	(Leu)	101.48	62.8359	34.4876	45.4049
Rwanda	(Fr)	213.03	131.907	72.3976	95.3154
St Christopher	(E Carr $)	4.3875	2.7167	1.491	1.963
St Helena	(£)	1.00	0.6191	0.3398	0.4474
St Lucia	(E Carr $)	4.3875	2.7167	1.491	1.963
St Pierre	(French Fr)	9.9650	6.1702	3.3865	4.4586
St Vincent	(E Carr $)	4.3875	2.7167	1.491	1.963
San Marino	(Italian Lira)	2187.00	1354.18	743.246	978.523
Sao Tome	(Dobra)	303.875	188.158	103.271	135.962
Saudi Arabia	(Riyal)	6.0757	3.762	2.0648	2.7184
Senegal	(CFA Fr)	498.25	308.514	169.329	222.931
Seychelles	(Rupee)	8.8000	5.4489	2.9906	3.9373
Sierra Leone	(Leone)	371.45	230	126.236	166.197
Singapore	($)	2.8620	1.7721	0.9726	1.2805
Solomon Is	($)	4.4405	2.7495	1.509	1.9868
Somali Rep	(Shilling)	4257.50	2636.22	1446.9	1904.92
South Africa	(Rand)	4.6885c	2.903	1.5933	2.0977
		5.4062g	3.3474	1.8372	2.4188
Spain	(Peseta)	184.10	113.994	62.5658	82.3713
Spanish Ports in N Africa	(Sp Peseta)	184.10	113.994	62.5658	82.3713
Sri Lanka	(Rupee)	66.00	40.8668	22.4299	29.5302
Sudan Rep	(£)	7.3125o	4.5278	2.4851	3.2718
		18.6063p	11.5209	6.3232	8.3249
Surinam	(Guilder)	2.9006	1.796	0.9857	1.2978
Swaziland	(Lilangeni)	4.6885	2.903	1.5933	2.0977
Sweden	(Krona)	10.5875	6.5557	3.5981	4.7371
Switzerland	(Fr)	2.5275	1.565	0.8589	1.1308
Syria	(£)	34.1250	21.13	11.5972	15.2684
Taiwan	($)	44.125	27.3219	14.9957	19.7427
Tanzania	(Shilling)	371.6375	230.116	126.3	166.281
Thailand	(Baht)	41.00	25.3869	13.9337	18.3445
Togo Rep	(CFA Fr)	498.25	308.514	169.329	222.931
Tonga Is	(Pa Anga)	2.1150	1.3095	0.7187	0.9463
Trinidad/Tobago	($)	6.9063	4.2763	2.347	3.09
Tunisia	(Dinar)	1.6123	0.9983	0.5479	0.7213
Turkey	(Lira)	7027.94	4351.67	2388.42	3144.49
Turks & Caicos	(US $)	1.6150	1	0.5488	0.7225
Tuvalu	(Australian $)	2.1150	1.3095	0.7187	0.9463
Uganda	(New Shilling)	1136.59	703.771	386.267	508.541
U A E	(Dirham)	5.9495	3.6839	2.0219	2.6619
United Kingdom	(£)	1.00	0.6191	0.3398	0.4474
United States	(US $)	1.6150	1	0.5488	0.7225
Uruguay	(Peso)	3198.30	1980.37	1086.93	1431.01
USSR	(Rouble)	0.9917o	0.614	0.337	0.4437
		2.9751c	1.8421	1.011	1.3311
Vanuatu	(Vatu)	179.00	110.836	60.8326	80.0894
Vatican	(Lira)	2187.00	1354.18	743.246	978.523
Venezuela	(Bolivar)	88.90	55.0464	30.2124	39.7762
Vietnam	(Dong)	13406.25	8301.08	4556.07	5998.32
Virgin Is-British	(US $)	1.6150	1	0.5488	0.7225
Virgin Is-US	(US $)	1.6150	1	0.5488	0.7225
Western Samoa	(Tala)	3.8379	2.3764	1.3042	1.7171
Yemen	(Rial)	19.5813	12.1246	6.6546	8.7612
Yemen PDR	(Dinar)	0.7410	0.4588	0.2518	0.3315
Yugoslavia	(Dinar)	38.1162	23.6013	12.9536	17.0542
Zaire Rep	(Zaire)	7564.00	4683.59	2570.6	3384.94
Zambia	(Kwacha)	103.7563	64.2453	35.2612	46.4234
Zimbabwe	($)	5.2205	3.2325	1.7741	2.3357

Special Drawing Rights June 28, 1991 United Kingdom £0.810681 United States $1.31452 Germany D Mark 2.38191 Japan Yen181.272
European Currency Unit Rates July 1, 1991 United Kingdom £0.698712 United States $1.13436 Germany D Mark 2.05546 Japan Yen156.258

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday July 1, 1991

INTERNATIONAL CAPITAL MARKETS

Japanese bonds rise after official discount rate cut

By Sara Webb in London and Patrick Harverson in New York

JAPANESE government bonds jumped yesterday as the Bank of Japan cut the official discount rate from 6 per cent to 5.5 per cent.

The interest rate cut, which the bond market has been awaiting for several months, was rumoured at the weekend. This caused a sharp rally in the JGB market as soon as it opened – *and before the interest rate cut was announced* officially. The yield on the benchmark No 129 opened at 6.76 per cent and closed at 6.74 per cent. It had closed at 6.84 per cent on Friday.

Traders said the rate cut may have been intended to *boost both the bond and the* equity markets. The stock market fell last week after it emerged that Nomura Securities and Nikko Securities, the first and third largest securities houses, had compensated

GOVERNMENT BONDS

certain clients for stock market losses and had conducted business with gangsters.

A sharp fall in the equity market would limit the ability of Japanese companies to raise money for capital investment, a situation which the Bank of Japan is keen to avoid, traders said.

The cut prompted considerable interest in recent bond issues, traders said, as these *have started to look cheap* against futures. International investors are starting to show more interest in the Japanese market and traders are hopeful of a rally in the next few weeks.

Mr Gerald Lyons, economist at Dai-Ichi Kangyo International, said the cut was justified on the grounds that inflation has peaked and the Japanese economy is showing *signs of slowing, adding that* the recent strength of the yen provided a good opportunity for the Bank of Japan to cut rates without undermining the currency.

■ UK government bonds rose, helped by the performance of the US Treasury market on Friday and sterling's strength in the foreign exchange markets.

Longer-dated gilts rose by nearly half a percentage point. The 11¾ per cent gilt due 2003/07 opened at 107$\frac{29}{32}$ and closed a *quarter point higher at 108⅛.*

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	105.6871	+0.629	11.06	11.21	10.74
BELGIUM		10.000	08/00	103.7000	-0.200	9.37	9.39	9.06
CANADA *		8.750	08/01	97.9500	+0.075	10.08	10.03	9.88
DENMARK		9.000	11/00	98.2750	+0.125	9.26	9.24	9.12
FRANCE	BTAN	9.000	02/96	99.0838	+0.072	9.22	9.31	8.83
	OAT	9.500	01/01	102.3300	-0.090	9.10	9.23	8.90
GERMANY		8.375	05/01	99.1000	-0.020	8.51	8.34	8.26
ITALY		12.500	03/01	97.3000	-0.350	13.41	13.25	12.89
JAPAN	No 119	4.800	06/99	87.9302	+0.557	7.18	7.31	7.01
	No 129	6.400	03/00	98.0764	+0.483	6.75	6.88	6.83
NETHERLANDS		8.500	03/01	99.2300	+0.970	8.61	8.68	8.55
SPAIN		11.900	07/96	99.5250	-0.100	12.02	11.96	11.78
UK GILTS		10.000	11/96	98-04	+05/32	10.46	10.47	10.33
		10.000	02/01	97-02	+04/32	10.49	10.58	10.48
		9.000	10/08	90-16	+00/32	10.17	10.21	10.16
US TREASURY *		8.000	05/01	98-05	-10/32	8.27	8.32	8.08
		8.125	05/21	96-16	-12/32	8.45	8.51	8.27

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Shorter-dated gilts rose by around one-eighth of a point. Traders said the gilt market is expected to stay firm provided sterling remains strong, and predict that domestic investors may start switching into longer-dated gilts.

■ *GERMAN* government bonds fell as the market failed to shake off tax and inflation worries. The yield on the 10-year 8⅜ per cent bund opened at 8.48 per cent and traded at around 8.51 per cent by late afternoon.

The German Federal Railway *authority announced a* DM2bn issue of 10-year bonds with a coupon of 8.5 per cent. The bonds were priced at *100.70 per cent to yield 8.39 per* cent.

Some DM1.8bn of the issue will be placed through a consortium of banks while the Bundesbank will retain a further DM100m for market regulation. Traders said the issue traded in the grey market at 99.7-99.8 to yield 8.54 per cent and said that demand for the issue was rather weak.

■ *AN unexpectedly strong* report of economic conditions from US purchasing managers pushed bond prices lower yesterday morning.

At midday, the benchmark 30-year Treasury issue was down ⅜ at 96$\frac{11}{32}$, yielding 8.432 per cent. The two-year note was also weaker, down $\frac{1}{32}$ at 100$\frac{1}{32}$, carrying a yield of 6.949 per cent.

The damage on the market was *inflicted by a sharp rise in* the National Association of Purchasing Managers Index, which climbed above 50 per *cent for the since time since* *May* 1990, when the recession is believed to have begun.

It was the fifth consecutive monthly increase for the index, which is widely regarded as an *important leading economic* indicator. A reading on the index above 50 per cent is seen as evidence that the manufacturing sector is expanding.

Analysts immediately interpreted the report as the best indication yet that the economy is pulling out of its slump, with many pointing to a nine-point increase in the index of new orders to 59.1 per cent as an especially encouraging *economic sign.*

In the credit markets, the Federal Reserve arranged two-day system repurchase agreements with Fed funds trading at 5$\frac{13}{16}$ per cent. The intervention was aimed at adding reserves to the system and softening the funds rate, which has stayed stubbornly above the Fed's target of 5¾ per cent.

By midday, Fed funds were *still trading at 5$\frac{13}{16}$ per* cent.

● DEFAULTs by corporate bond issuers continued to *record highs in the first half of* 1991, according to Moody's Investors Service, Reuter reports from New York.

Sixty-four issuers defaulted on $12.5bn of public debt in the first half of 1991, up from 48 defaults on $10.7bn over the same period last year, the rating agency said.

The agency attributed the trend to the continuing high level of corporate indebtedness, *the recession, credit* crunch and weakness in both the real estate sector and new issue speculative-grade bond market.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on July 1

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101¼	102¼	+⅛	7.69
ALBERTA PROVINCE 9 3/8 95	600	103¼	103¾	+⅛	8.42
AUSTRIA 8 1/2 00	400	98¼	98½	+⅛	8.81
BANK OF TOKYO 8 3/8 96	100	98¾	99¼	+⅛	8.69
BELGIUM 9 1/8 92	400	101⅝	102⅛	-⅛	7.62
BFCE 7 3/4 97	150	97¾	98¼	+⅛	8.25
BNP 8 5/8 94	300	101½	101⅞	+⅛	8.05
BP CAPITAL 9 5/8 93	150	102¾	103¼	-⅛	7.95
CANADA 9 96	1000	102⅝	103⅛	+⅛	8.21
CARCO 9 1/4 96	650	100⅞	101⅜		9.18
CCCE 9 1/4 95	300	103⅛	103⅝	+⅛	8.12
COUNCIL EUROPE 8 96	100	98⅝	99	+⅛	8.37
CREDIT FONCIER 9 1/2 99	300	103⅛	103⅝	+⅛	8.86
DENMARK 0 98	250	54½	55	-⅛	8.93
DENMARK 8 1/4 94	150	100¾	101¼		7.96
ECSC 8 1/4 96	193	100	100½	+⅛	8.23
EEC 7 1/4 93	250	99¾	100¼		7.38
EIB 7 3/4 96	250	98	98½		8.25
EIB 9 1/4 97	1000	102½	102⅞	+⅛	8.70
ELEC DE FRANCE 9 98	200	101⅝	102⅛	+⅛	8.63
EUROFIMA 9 1/4 96	100	102	102½		8.69
EXPORT DEV CORP 9 1/2 98	150	103⅝	104⅛	+⅛	8.76
FINLAND 7 7/8 97	200	96⅞	97⅜	+⅛	8.67
FINNISH EXPORT 9 3/8 95	200	103⅛	103⅝	+⅛	8.39
FORD MOTOR CREDIT 9 1/2 93	300	102⅛	102⅝		8.29
GEN ELEC CAPITAL 9 3/8 96	300	103⅛	103⅝	+⅛	8.53
GMAC 9 1/8 96	200	100⅛	100⅝	+⅛	9.00
HALIFAX 9 1/2 93	200	102⅛	102⅝	-⅛	8.21
IBM WORLD TRADE 7 5/8 93	150	99½	100	-⅛	7.95
IND BK JAPAN FIN 7 7/8 97	200	96	96½		8.77
INTER AMER DEV 7 5/8 96	200	96⅛	96⅝	+⅛	8.47
ITALY 8 1/2 94	1500	101⅝	101⅞	+⅛	7.99
JAPAN DEV BK 8 94	150	100⅛	100⅝	+⅛	7.84
KANSAI ELEC PWR 10 96	350	104⅛	104⅝		8.84
LTCB 8 5/8 93	150	101⅛	101⅝		7.76
NEW ZEALAND 8 93	100	100⅝	101		7.78
NIPPON CRED BK 9 3/4 93	150	103⅛	103⅝	-⅛	8.09
NIPPON TEL & TEL 9 3/8 95	200	103½	104	+⅛	8.21
NORDIC INV BANK 9 93	200	102⅝	103		7.54
ONTARIO HYDRO 11 5/8 94	200	107⅞	109⅛		8.16
OSTER KONTROLLBANK 8 1/8 93	200	101	101⅛		7.44
PETRO-CANADA 7 1/4 96	200	94⅞	95⅜		8.57
PRUDENTIAL RLTY SECS 0 99	365.216	50⅞	51⅛		9.41
QUEBEC HYDRO 9 3/4 98	150	103	103½	+⅛	9.15
QUEBEC PROV 9 98	200	99½	100	+⅛	9.09
SAINSBURY 9 1/8 96	150	101⅝	102⅛	-⅛	8.77
SAS 10 99	200	99⅞	101	+⅛	10.03
SEAB 9 1/2 95	500	103⅛	103⅝		8.41
STATE BK STH AUST 9 1/4 93	100	102	102⅜	+⅛	7.82
SUMITOMO BK CAP MKT 9 3/8 93	150	102⅝	103⅛		8.08
SWEDEN 8 1/8 94	150	100⅝	101⅛	-⅛	8.03
SWEDISH EXPORT 9 5/8 93	100	103½	103⅞	+⅛	7.25
TOKYO METROPOLIS 8 1/4 96	200	99⅛	99⅝	+⅛	8.38
WORLD BANK 8 3/8 99	1500	98⅞	99⅛	+⅛	8.75
WORLD BANK 8 3/4 97	1500	101⅞	102		8.53
XEROX CORPN 8 3/8 96	100	95½	97	+⅛	9.49

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
DEUTSCHE BK FIN 5 5/8 96	750	89⅛	89⅝	+⅛	8.24
DEUTSCHE FINANCE 7 1/2 95	1000	97½	97¾	-⅛	8.31
EEC 5 3/8 93	300	95⅛	95¾	+1	8.93
EIB 5 3/4 98	400	85⅜	85⅞		8.59
EIB 6 7/8 95	300	94	94		8.56
EUROFIMA 6 1/4 98	400	87⅜	87⅞		8.67
FERRO DEL STAT 5 3/8 93	500	94⅞	94⅞	-⅛	9.05
IND BK JAPAN FIN 5 5/8 96	200	88	88	+⅛	8.78
IND DEV BK INDIA 6 3/8 94	200	88½	88½	-⅛	10.47
INTER AMER DEV 7 1/4 99	300	93⅛	93⅜	+⅛	8.47
LUFTHANSA INT FIN 5 7/8 98	500	86⅜	86⅜	-⅛	8.54
MET EST & PROP INTL 7 99	150	87	87		9.40
NAT BK HUNGARY 8 96	200	91½	91⅞		10.11
QUEBEC HYDRO 6 3/4 99	300	88⅞	88⅞	-⅛	8.78
SWEDEN 6 1/8 98	300	88⅛	88⅛	-⅛	8.51
VENEZUELA 8 1/4 93	100	96⅛	96⅝		10.00
WORLD BANK 0 15	2000	15⅛	15⅝	-⅛	7.81
WORLD BANK 5 3/4 96	300	87⅛	87⅝	-2	9.19
WORLD BANK 7 1/8 95	500	94⅞	95⅛	-1⅛	8.85

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	96	97	+1	6.36
AUSTRIA 4 5/8 98	100	90¼	91		6.48
CHUJITSUYA 7 3/4 95	50	101	102	-½	7.45
COUNCIL EUROPE 4 3/4 98	250	89½	90		6.76
EEC 5 1/2 00	100	91½	92¼	-½	6.74
EIB 5 3/4 93	100	97¼	98		6.81
ELEC DE FRANCE 7 1/4 06	100	104½	105½		6.75
FINLAND 5 3/8 95	150	96	96¼		6.45
GENERAL MOTORS 7 1/2 95	100	101¼	101¾		7.10
JAPAN DEV BK 5 1/2 94	100	97¼	98	+¼	6.67
NEW ZEALAND 4 7/8 99	100	88	89	-¼	6.96
QUEBEC HYDRO 5 08	200	80	81	+½	7.07
SKANDINAVISKA ENSK 6 1/2 95	100	100		+½	6.48
WORLD BANK 5 03	150	86		-½	6.73
WORLD BANK 7 1/4 92	100	100¼	101		6.47

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	94½	94¾	+¼	7.17
CANADA 4 3/8 92	80000	97¼	97¾	+¼	7.51
CREDIT FONCIER 5 1/4 94	20000	93⅞	94¼	+¼	7.29
DENMARK 7 95	40000	99½	99⅞	+¼	7.10
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94¼	95¼		9.24
KREDIETCORP 7 93 LFr	1000	96	97		9.16
WORLD BANK 8 96 LFr	1000	96	97		9.05
AMRO BANK 6 1/4 92 Fl	150	96½	97¼		9.53
RABOBANK 5 3/4 93 Fl	150	94¼	95¼		9.43
ALBERTA PROVINCE 10 92 C$	500	100¼	100¾		9.72
BCE INC 9 5/8 93 C$	300	99	99½	+⅛	10.21
BELL CANADA 10 5/8 99 C$	150	97⅛	98¼	+⅛	11.08
BRITISH COLUMBIA 9 1/4 93 C$	150	98⅝	99¼		10.12
EIB 10 1/8 98 C$	130	97¼	98¾	-⅛	10.59
FORD CREDIT CANADA 10 94 C$	100	97⅝	98⅛		10.92
GENERAL ELECT CAP 10 1/4 93 C$	175	100¼	101	+⅛	9.94
MONTREAL TRUSTCO 8 1/2 92 C$	100	98¼	99⅛	-⅛	10.86
ONTARIO HYDRO 10 7/8 99 C$	500	99½	99⅞	+⅛	10.95
QUEBEC PROV 10 1/2 98 C$	200	97	97½	+⅛	11.09
ROYAL TRUSTCO 10 1/4 93 C$	100	99	99½	+⅛	10.85
SWEDEN 9 3/4 93 C$	250	99⅞	100⅜		9.79
BELGIUM 9 1/8 96 Ecu	1250	99⅞	100		9.14
CNT 7 3/8 93 Ecu	250	95⅛	96⅛	+⅛	9.90
CREDIT LYONNAIS 9 96 Ecu	125	96¼	98¼	-⅛	9.93
DENMARK 7 5/8 96 Ecu	250	92⅛	93⅜	-⅛	9.67
EEC 7 5/8 94 Ecu	200	96¼	96⅝	+⅛	9.25
EIB 10 97 Ecu	1125	104⅛	104½	+⅛	8.95
ITALY 10 3/4 00 Ecu	1000	108⅛	108⅝	+⅛	9.30
UNITED KINGDOM 9 1/8 01 Ecu	2750	99⅞	100	+⅛	9.13
BMW FINANCE 14 1/2 92 A$	100	101⅞	102⅜	-⅛	11.92
COUNCIL EUROPE 13 93 A$	50	101	102	-⅛	12.19
EKSPORTFINANS 12 3/8 95 A$	75	102⅛	103⅛		11.45
FORD CRED AUST 13 93 A$	50	100⅛	101⅛	-⅛	12.71
ICI 15 1/2 92 A$	100	103	103⅜		11.78
MCDONALDS CANADA 15 95 A$	100	108⅜	109⅛	+⅛	12.15
NAT AUSTRALIA BANK 14 3/4 94 A$	150	106	106⅝	+⅛	11.87
STATE BK NSW 14 1/4 99 A$	100	108⅛	108⅞	+⅛	12.58
VOLKSWAGEN INTL 15 94 A$	100	106⅞	107⅞		11.92
ABBEY NATL TREAS 13 3/8 95 £	100	105⅜	106⅛	+⅛	11.35
BARCLAYS JERSEY 9 1/2 93 £	250	97½	97⅞	+⅛	11.08
BRITISH GAS 12 3/4 95 £	300	104⅛	104⅝	+⅛	11.12
DEUTSCHE BK FIN 11 94 £	225	100⅛	100⅝	+⅛	10.82
EIB 10 97 £	386.5	95⅞	96⅛	+⅛	11.00
FORD CREDIT FUNDING 9 5/8 93 £	50	96½	97	+⅛	11.85
INTER AMER DEV 11 3/8 95 £	75	101⅞	102⅛	+⅛	10.83
ITALY 10 1/2 14 £	400	92⅛	92½	+⅛	11.46
LAND SECS 9 1/2 07 £	200	80⅛	80⅝	+⅛	12.59
LEEDS PERMANENT 9 1/4 93 £	50	96½	97		11.37
NORWAY 10 1/2 94 £	200	99⅛	99⅝	+⅛	10.79
ROLLS-ROYCE 9 5/8 93 £	150	96⅝	97⅛	+⅛	11.61
SAINSBURY 10 7/8 93 £	100	99⅞	99⅞		11.24
SKANDINAVISKA ENSK 13 1/8 95 £	100	104⅛	105⅛	+⅛	11.49
WORLD BANK 11 1/4 95 £	100	101⅛	101⅜	+⅛	10.82
ABBEY NATIONAL 0 96 NZ$	100	57⅞	58⅜	+⅛	10.96
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	104⅛	105⅛		10.81
AIDC 7 7/8 93 FFr	600	96⅛	96⅝	+⅛	9.71
CREDIT LYONNAIS 10 95 FFr	3200	101⅛	101⅝		9.59
EURATOM 7 5/8 98 FFr	500	92⅛	92⅝	+⅛	9.20

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	99.94	100.04	6.5156
ALLIANCE & LEICS 0 08 94 £	300	99.47	99.57	11.9550
BANCO ROMA 0.03 01	200	93.00	94.00	6.4875
BANCO SANTO SPIRITO 93	200	99.49	99.65	6.5000
BELGIUM 1/16 97 DM	500	99.96	100.10	9.1250
BFCE -0.02 96	350	99.81	99.91	6.1050
BNP 05	300	95.50	96.50	6.4375
BRITANNIA 1/10 96 £	150	99.08	99.28	11.9750
CCCE 06 ECU	200	99.79	99.89	9.5938
CITIZENS FED 0.15 96	100	99.25	99.75	7.0250
COMMERZBK O/S FIN 93	200	99.89	99.99	6.5625
DENMARK -1/8 96	1000	99.55	99.65	6.5938
DRESDNER FINANCE 1/32 98 DM	1000	99.92	99.98	9.2656
ELEC DE FRANCE 1/8 99	400	100.25	100.70	7.0000
FERRO DEL STAT 94	200	100.48	100.73	6.8750
HALIFAX 1/10 94 £	200	99.78	99.92	11.7250
HILL SAMUEL 1/4 PERP	75	84.25	86.25	6.4375
MITSUI FIN ASIA 1/8 96	100	99.69	99.79	7.0000
MORGAN (JP) 1/4 97	250	98.75	99.25	6.2500
NAT WEST FIN 3/16 05	400	93.00	93.75	6.5000
NEW ZEALAND 93	500	99.75	99.85	6.5000
QUEBEC PROV 01	300	96.25	96.63	6.1250
RENFE 98	500	99.86	99.96	6.0625
SOCIETE GENERALE 96	300	99.09	99.19	6.3125
STATE BK VICTORIA 0 05 99	125	98.50	98.75	6.4875
UNITED KINGDOM -1/8 96	4000	100.00	100.08	5.9375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.86	113⅞	114⅞	+15.08
ASDA-MFI 4 3/4 02 £	100	1.64	117	118	
BURTON GROUP 4 3/4 01 £	110	3.15	118⅛	119⅛	
EASTMAN KODAK 6 3/8 01	300	50.67	95⅛	96⅛	+34.55
GOLD KALGOORLIE 7 1/2 00	65	1.0554	69½	70⅛	+44.61
GOODYEAR TIRE 6 7/8 03	150	80⅛	71⅛	72⅛	+72.57
GRACE (WR) 6 1/4 02	150	42⅞	91	92	+14.00
HANSON 9 1/2 06 £	500	2.5875	96⅞	97⅞	+25.02
HAWLEY 6 02 PREF	400	19.1	83⅞	85⅞	
HILLSDOWN 4 1/2 02 £	150	4.16	109⅛	110⅛	
INTL PAPER 5 3/4 02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

European bourses to vote on common display system

By Richard Waters

THE chairmen of Europe's national stock exchanges will be presented with a revised joint venture proposal on Friday as part of the continuing discussions over a common share price display system.

Euroquote, which has been established as a Belgian company owned by the 12 EC exchanges, needs an increase in its capital if it is not to be forced by Belgian law to wind itself up. The shareholders will meet in Denmark on Friday to vote on whether to increase the company's capital.

The proposal before them will be for an injection of Ecu9.5m to enable the Euroquote system to be built. This compares with an earlier, rejected proposal which would have cost Ecu12.5m.

Euroquote would combine share prices and company news provided by each national stock exchange and supply them direct to users through a combined electronic feed. Supporters hope it could provide the basic infrastructure for a Europe-wide share trading system.

The scaled-down version of Euroquote is thought unlikely to win the support of either the London stock exchanges or Federation of German Stock Exchanges, which together control 30 per cent of the shares in the company and which have already vetoed the earlier Euroquote scheme.

However, Euroquote is thought likely this Friday to receive support in principle for its capital increase, enabling it to continue in existence. This would leave it open to other exchanges to inject the capital at a later stage if they wanted to build the system, and to buy out the shares of exchanges like London which do not want to become involved.

Derivatives markets in Spain set to join forces

By Sara Webb

SPAIN'S two derivatives markets look set to join forces under one holding company in a move which could pave the way for trading in stock and currency derivatives within a few months.

The new company, to be called Mercado de Futuros Financieros Holding Company (Meff), will hold shares in the two existing exchanges: Meff, the financial futures exchange based in Barcelona, and Mercado de Opciones Financiero Espanol (Mofex), which is based in Madrid.

There has been considerable debate in the past year as to whether Spain needs two separate exchanges for derivatives given the modest size of the market.

However, neither exchange was willing to cease trading, and the proposal to place both exchanges under one holding company is seen as a compromise.

Under the new arrangement the two exchanges will have one board of directors, one chairman and will have its management based in Barcelona. Fixed income derivatives will be traded in Barcelona while stock derivatives (once these are introduced) will be traded in Madrid, according to Mr Jose Luis Oller, chief executive officer of Meff.

The Comision Nacional del Mercado de Valores (CNMV), the stock market commission, indicated that it would allow the introduction of stock index and currency derivatives once the two markets had reached an agreement about their organisation.

The board of directors for Mofex has already given approval for the proposed arrangement and Meff's board of directors is expected to endorse it at a meeting tomorrow.

Mofex, which is a combined electronic and telephone-based trading system, trades bond options, while MEFF trades bond futures at the moment.

UK bond market top performer in June

By Sara Webb

THE UK gilt market was the top-performing government bond market in June with a 0.3 per cent increase, while all other significant bond markets fell, according to the latest J. P. Morgan Government Bond Index Monitor.

The combination of profit-taking by investors and domestic economic worries explains much of the decline in the markets last month in local currency terms, particularly among the high-yielding European markets.

However, Spain, Italy and Australia were the top-performing markets in local currency terms for the second quarter and for the first half of the year. Spain has shown a gain of 11.1 per cent since the beginning of the year while Australia gained 9.23 per cent and Italy 8.99 per cent.

Canada was the worst performing market in June with a fall of 1.14 per cent, although it has gained 6.25 per cent since the start of the year.

The US treasury market ranked top in US dollar terms, with a fall of just 0.1 per cent in June.

The fall in European bond markets last month was made worse in dollar terms as the US currency strengthened against European currencies. In the second quarter, European bond markets fell by over 2 per cent in dollar terms with the UK gilt market tumbling by 6.45 per cent, making it the worst performing market.

Australia and Canada were the top performing markets in US dollar terms for the first six months with returns of 8.41 per cent and 7.91 per cent respectively.

Australia, New Zealand and Japan were the top-performing government bond markets in June for sterling-based investors, according to a report from Kemper Investment Management Company (KIMCO). Australia showed a 5.15 per cent gain while New Zealand rose by 4.95 per cent and Japan by 4.93 per cent last month.

Mexican state oil group plans debut Ecu issue

By Simon London

PEMEX, the Mexican oil giant, is expected to make its debut issue in the Ecu sector of the international bond market this week. The deal, expected to be of about Ecu100m and three years' maturity, would underline the growing acceptability of Mexican borrowers to international investors.

INTERNATIONAL BONDS

The company returned to the international bond market in 1990 after an eight-year absence, but has so far restricted its borrowing to the Eurodollar sector.

However, its dollar-denominated issues have performed well in the secondary market. A $125m three-year deal launched in February via Swiss Bank Corporation has tightened from a launch spread of 320 basis points over US Treasury bonds to around 230 basis points.

Yesterday, the Japanese equity warrant market continued to show the symptoms of over-supply, despite an 800-point rally in the Tokyo stock market overnight prompted by the Bank of Japan's unexpected decision to cut ½ per cent from the official discount rate.

The largest of yesterday's deals was a $300m four-year transaction for Tokyo Electron, lead manged by Nomura International. The deal was launched at par, but traded down to 98⅝ bid, inside fees of 2¼ per cent.

Deals in the D-Mark sector fared less well. For example, Mitsubishi Oil's DM250m four-year deal, lead managed by Yamaichi, traded down to 96⅝ bid – well outside full fees.

Against such a background, borrowers are unlikely to lower the coupon payments on new equity warrant issues, despite lower interest rates in Japan.

The European Coal and Steel Community yesterday added L340bn five-year paper to the weight of Eurolire supply this year. In the first six months of the year, $4.77bn equivalent of new paper was issued in the sector, up from $2.4bn equivalent in the same period of 1990.

The Italian government bond market has fallen back sharply over the past month. In local currency terms, total market return is down 0.5 per cent in June. At the 10-year maturity, the gross yield on government paper has risen from 12.80 to 13.20 per cent in the month.

However, supranational borrowers continue to issue new bonds, not least because Italian investors can claim coupon payments free of withholding tax. The tax exemption allowed the borrower swap the proceeds of the issue into a range of currencies to achieve floating rate funding as much as 100 basis points below the London interbank offered rate.

The last tax-exempt issue was a L600bn 10-year deal launched by the EIB in late May. The EIB offered a coupon of 11.10 per cent and an issue price of 101½.

● Italy yesterday had its credit rating for foreign currency debt obligations downgraded by one notch to Aa1 from triple-A by Moody's Investors Service, the US credit rating agency. The action affects $22bn of outstanding debt.

The yield spread on Italy's outstanding bonds did not widen in response to the decision, although syndicate managers questioned whether the country would be able to issue large, liquid bond issues at similar rates in future.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Tokyo Electron(a)♦	300	4	100	1995	2¼/1½	Nomura Int.
Mitsubishi Oil Co.(a)♦	150	4	100	1995	2¼/1½	Nikko Secs.
LIRE						
European Coal & Steel(a)†	340bn	11⅛	101½	1996	1¾/1⅛	Bca.Comm.Italiana
D-MARKS						
Mitsubishi Oil Co.(a)♦	250	4¼	100	1995	2¼/1½	Yamaichi Bk GmbH
Daiken Corp(a)♦	150	4¼	100	1995	2¼/1½	Daiwa Europe GmbH
FINNISH MARKKA						
Banque Indosuez(a)†	*200*	*11½*	*101.575*	*1996*	*1⅞/1¼*	*Deutsche Bk Cap.Mkts.*
YEN						
Taisei Holland BV(a)†	10bn	7½	101.70	1998	1⅞/1¼	Yamaichi Int.

☆☆Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable.

Brazilian banks slide into the red

Victoria Griffith on the problems facing the sector as inflation falls

Severe recession and slowing inflation have thrown Brazil's banks into crisis with dozens running heavily into loss.

For the first four months of 1991 more than 100 of the country's 178 "multiple banks" – companies which operate as both commercial and merchant banks – are in the red.

The Bank of Brazil, a commercial bank, has been the hardest hit running up a loss of NCrz125bn ($431m) while among the multiple banks Nossa Caixa has suffered the worst result, a loss o. NCrz23.8bn.

Results like this, which do not include subsidiary earnings, make a stark contrast to the pattern of bank earnings during the 1980s when the sector's earnings mushroomed.

One of the most important reasons for the reverse is lower inflation. Welcomed by most sectors of the Brazilian economy, lower inflation has deprived the country's banks of one of their main sources of revenue, the so-called float.

When inflation was running at up to 80 per cent a month, banks stood to gain enormous returns simply by holding on to cheques for 24 hours. The banks would place incoming funds on the overnight market, which paid up to 3 per cent a day, before releasing the money the following morning.

Inflation is now under 10 per cent a month. Worse for the banks, the government eliminated the overnight market in February as part of an inflation-fighting economic package. The move eradicated the banks' profitable float.

"As a Brazilian, I am rooting for lower inflation," said Mr Luis Marques de Azevedo, director of planning at Banco Francês e Brasileiro, which registered a four month loss of NCrz2.5bn. "But I have to admit that it hasn't been very good news for banks."

Current results provide a stark contrast to the pattern during the 1980s when earnings mushroomed.

Another problem is the severe recession in Brazil. Capital investment has been stunted and corporate demand for credit has fallen steeply; the consumer loan market has also collapsed. Individuals have suffered a substantial reduction in real wages and strict controls on consumer credit are now biting hard.

Savings have dropped substantially. According to Mr Leo Cochrane, president of the Brazilian Bank Federation, total savings in Brazil have fallen from an average 35 per cent of gross domestic product during the 1980s to 12 per cent.

Banks complain that they are being unfairly punished for high profits in previous years. "Our tax rates are far higher than that of other sectors," said Mr Marques de Azevedo.

A further running sore centres on the money banks were forced to invest in "certificates of privatisation", which can be used as a currency in auction of public companies. Brazilian banks paid some $300m for the certificates over the past year.

The banks' front line defence is costs. The Bank of Brazil, for instance, has started to implement a cost-cutting plan that will eliminate 40 per cent of its agencies and require heavy lay offs. But it is uncertain whether cost cuts will be enough to salvage the industry's sagging profits.

Mr Guerreiro believes some banks may merge to improve economies of scale. "I think we might see some mergers this year," he said.

Other players believe bank closures are possible. "All I can tell you," said Mr Marques de Azevedo, "is there are certainly too many banks around (in Brazil) for the amount of business there is out there."

Mellon Bank to downgrade Tokyo branch

MELLON BANK is to downgrade its Tokyo branch and so join a string of foreign banks cutting operations in Japan. The bank plans to reduce its operations to a representative office before the end of this month, Reuter reports from Tokyo.

Representative offices are prohibited from traditional banking practices, such as lending, and focus instead on information-gathering and consulting with clients.

Mellon cited the high cost of doing business in Tokyo, along with competition from local commercial banks, as the main reasons behind the downgrade.

In May, First Interstate Bank of California closed its foreign exchange department in Tokyo.

Mellon, which employed about 40 people before it cut its foreign exchange department last year, will keep a staff of three to operate the representative office.

The US bank is planning to transfer its branch licence to Mitsubishi Bank and plans to close its office in Hong Kong.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday July 1 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Fri Jun 28 Index No.	Thu Jun 27 Index No.	Wed Jun 26 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (184)	801.09	+0.7	11.30	6.02	10.88	18.16	795.27	807.25	803.07	899.78
2	Building Materials (24)	1013.61	+0.1	10.17	6.15	12.28	30.46	1012.27	1027.19	1021.82	1154.15
3	Contracting, Construction (31)	1159.27	+0.5	9.89	6.78	13.30	31.87	1153.67	1164.33	1162.65	1477.32
4	Electricals (10)	2259.69	....	11.62	5.92	10.96	61.85	2260.08	2293.76	2312.39	2531.44
5	Electronics (25)	1731.37	+1.6	8.99	5.20	14.80	10.13	1704.67	1725.53	1706.49	1817.05
6	Engineering-Aerospace (8)	415.84	-0.4	16.47	6.03	7.29	10.83	417.54	422.36	418.66	475.69
7	Engineering-General (46)	435.43	+0.2	12.66	5.85	9.56	9.92	434.64	437.35	436.32	498.48
8	Metals and Metal Forming (8)	429.93	+2.0	21.33	8.04	5.75	3.82	421.30	436.43	434.85	500.85
9	Motors (12)	316.10	+0.7	12.50	7.65	9.43	9.98	313.92	318.08	317.00	376.90
10	Other Industrial Materials (20)	1489.73	+1.2	9.42	5.39	12.49	34.85	1471.54	1499.81	1489.43	1619.67
21	CONSUMER GROUP (187)	1433.55	+1.2	8.24	3.79	14.92	22.68	1416.27	1437.76	1430.70	1320.45
22	Brewers and Distillers (22)	1758.21	+1.3	8.77	3.77	13.91	27.45	1736.42	1759.54	1753.76	1620.67
25	Food Manufacturing (19)	1151.08	+0.6	9.99	4.30	12.35	23.29	1143.68	1149.68	1143.41	1120.80
26	Food Retailing (17)	2591.75	+1.1	8.50	3.24	15.41	39.61	2563.42	2598.19	2577.89	2542.48
27	Health and Household (22)	3492.83	+2.1	5.48	2.47	20.84	30.21	3422.02	3494.50	3473.83	2600.94
29	Hotels and Leisure (23)	1222.50	-0.6	10.71	5.67	11.08	23.89	1229.71	1245.91	1235.71	1518.68
30	Media (26)	1361.53	+0.8	9.44	5.17	13.43	29.60	1351.19	1374.11	1372.67	0.00
31	Packaging, Paper & Printing (17)	676.60	+1.8	8.32	4.88	14.51	14.33	664.66	669.70	668.37	607.23
34	Stores (32)	866.78	+1.4	8.93	4.18	14.65	16.28	856.23	871.98	869.79	813.78
35	Textiles (9)	531.97	-0.2	9.81	5.83	12.53	13.79	533.04	534.87	525.38	504.64
40	OTHER GROUPS (109)	1192.71	+0.6	10.33	5.37	11.88	21.16	1185.52	1197.48	1188.20	1205.66
41	Business Services (12)	1229.26	-0.5	9.41	5.30	12.98	29.13	1235.83	1245.57	1239.67	0.00
42	Chemicals (21)	1367.47	+0.7	8.27	5.27	13.63	32.35	1357.40	1371.75	1364.67	1291.06
43	Conglomerates (10)	1390.58	+0.8	10.96	7.46	11.02	31.93	1380.01	1400.63	1382.79	1690.22
44	Transport (13)	2158.15	+0.2	8.52	4.88	14.61	46.60	2154.54	2168.92	2162.23	2311.05
45	Electricity (16)	1161.93	-0.1	13.59	5.59	9.28	0.00	1162.74	1168.21	1166.81	0.00
46	Telephone Networks (4)	1414.63	+2.1	10.50	4.30	12.46	5.58	1385.83	1396.37	1384.33	1241.96
47	Water (10)	2160.97	-3.5	19.12	7.12	5.78	118.37	2238.88	2262.87	2258.06	1958.83
48	Miscellaneous (23)	1930.20	+0.7	6.21	5.00	20.66	47.71	1916.58	1949.82	1919.67	1841.31
49	INDUSTRIAL GROUP (480)	1203.38	+0.9	9.52	4.74	12.92	21.39	1192.34	1208.43	1201.34	1192.50
51	Oil & Gas (20)	2372.90	+1.2	11.44	5.77	11.50	50.59	2345.29	2350.82	2345.54	2296.01
59	500 SHARE INDEX (500)	1302.18	+1.0	9.77	4.87	12.71	23.79	1289.83	1305.37	1298.32	1285.58
61	FINANCIAL GROUP (94)	762.60	+0.8	-	6.25	-	20.71	756.37	773.05	770.99	805.62
62	Banks (9)	848.18	+1.5	7.07	6.53	21.41	22.63	836.01	866.00	861.87	833.18
65	Insurance (Life) (7)	1422.62	+0.4	-	5.82	-	41.64	1417.40	1438.99	1440.33	1504.49
66	Insurance (Composite) (6)	654.26	+1.6	-	6.70	-	20.23	644.16	661.17	659.80	709.78
67	Insurance (Brokers) (8)	1134.88	+1.0	6.87	5.97	18.86	29.60	1123.96	1129.47	1107.55	1016.15
68	Merchant Banks (7)	414.67	+0.1	-	5.06	-	11.00	414.18	413.89	414.13	437.86
69	Property (37)	884.83	-0.7	6.95	5.40	19.92	19.29	890.76	893.47	896.44	1107.72
70	Other Financial (20)	258.56	-0.9	10.99	7.29	11.37	7.80	260.82	261.79	261.43	294.99
71	Investment Trusts (70)	1179.20	+1.3	-	3.58	-	19.23	1164.00	1177.14	1169.62	1225.16
99	ALL-SHARE INDEX (664)	1172.21	+0.9	-	5.02	-	22.74	1161.19	1176.68	1170.72	1170.25

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 28	Jun 27	Jun 26	Jun 25	Jun 24	Year ago
FT-SE 100 SHARE INDEX♦	2443.6	+28.8	2444.7	2416.7	2414.8	2452.5	2437.3	2461.2	2458.3	2372.0

FIXED INTEREST

	PRICE INDICES	Mon Jul 1	Day's change %	Fri Jun 28	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (29)	120.77	+0.18	120.55	1.73	6.06
2	5-15 years (27)	129.64	+0.27	129.28	2.33	6.73
3	Over 15 years (9)	135.92	+0.30	135.50	2.02	6.44
4	Irredeemables (6)	148.26	+0.35	147.74	1.24	7.34
5	All stocks (71)	129.01	+0.24	128.70	2.10	6.57
	Index-Linked					
6	Up to 5 years (1)	158.81	....	158.80	0.44	2.72
7	Over 5 years (10)	145.03	+0.05	144.95	0.74	2.22
8	All stocks (11)	145.98	+0.05	145.91	0.73	2.23
9	Debs & Loans (56)	107.78	-1.30	109.36	2.19	5.18

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jul 1	Fri Jun 28	Year ago (approx.)
	British Government				
1	Low	5 years	9.17	9.23	10.66
2	Coupons	15 years	10.09	10.13	10.65
3	(0%-7¾%)	20 years	10.09	10.13	10.65
4	Medium	5 years	10.46	10.53	11.97
5	Coupons	15 years	10.32	10.35	11.13
6	(8%-10¾%)	20 years	10.23	10.26	10.91
7	High	5 years	10.64	10.70	12.07
8	Coupons	15 years	10.48	10.51	11.36
9	(11%-)	20 years	10.35	10.38	11.14
10	Irredeemables	†	10.30	10.33	10.65
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.46	4.46	5.33
12	Inflation rate 5%	Over 5 yrs.	4.35	4.36	4.23
13	Inflation rate 10%	Up to 5 yrs.	3.55	3.54	4.25
14	Inflation rate 10%	Over 5 yrs.	4.16	4.17	4.05
15	Debs &	5 years	12.08	11.89	13.96
16	Loans	15 years	11.88	11.68	12.83
17		25 years	11.68	11.50	12.50

♦Opening index 2416.7; 9 am 2429.3; 10 am 2434.3; 11 am 2434.1; Noon 2436.0; 1 pm 2437.9; 2 pm 2438.7; 2.30 pm 2439.0; 3 pm 2440.3; 4.10 pm 2444.0; (a) 3.56pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	77	0	7
Corporations, Dominion and Foreign Bonds	6	0	14
Industrials	353	235	929
Financial and Properties	161	89	490
Oils	33	15	41
Plantations	1	0	9
Mines	50	21	90
Others	40	72	52
Totals	721	432	1,632

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
♦	F.P.	-	107p	106p	Brockhampton N/V 9½pc Rd Prf 1996 £1	106p	
100	F.P.	-	110¼	98¼	Burmah Cap (Jersey) 9½pc Cnv Bds 2006	100¼	+¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
31	Nil	-	5pm	2½pm	Anglo United 20p	2½pm	
155	Nil	-	20pm	16pm	BPB Industries 50p	16pm	
315	Nil	-	70pm	51pm	Bespak 10p	51pm	-3
62	Nil	-	19pm	13pm	Blacks Leisure 50p	13pm	
108	Nil	-	5pm	4pm	Dart Group 10p	5pm	
100	Nil	-	15pm	12½pm	♦Flextech 10p	13pm	-1
52	Nil	-	8pm	3pm	Gardiner Group 5p	5pm	
380	Nil	-	51pm	38pm	Heath (C.E.) 20p	43pm	+3
100	Nil	-	30pm	23pm	Jarvis Porter 10p	23pm	
72	Nil	-	5pm	2pm	McCarthy & Stone 20p	2pm	
265	Nil	-	40pm	24pm	Morland	25pm	-8
71	Nil	-	7pm	6pm	Regalian Properties	6pm	
150	Nil	-	24pm	6pm	Stanley Inds.	7pm	
22	Nil	-	¾pm	¼pm	The Rack 5p	¼pm	
55	Nil	-	11pm	5pm	Trade Indemnity	6pm	
10	Nil	-	¼pm	¼pm	Welpac 7p	¼pm	
130	Nil	-	19pm	9pm	Westbury 10p	11pm	
140	Nil	-	18pm	3pm	Whitecroft	3pm	-2
25	Nil	-	¼pm	¼pm	Williare 20p	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. ‡ Earnings based on preliminary figures. ¤ Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings June 24
● Last Dealings July 5
● Last Declarations Sept. 26
● For settlement Oct. 7

For rate indications see end of London Share Service

Calls in ADT, Aviva Pet., Helene, Oliver Res., Queens Moat Houses, Real Time Control, Saatchi & Saatchi, Tuskar Res. and Woodside Pet. Puts in ICI and Owners Abroad.

LONDON TRADED OPTIONS

Option	Calls	Puts
[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

British Steel looks to the US to chase a place in the world league

By David Owen

Colin Beere

Sir Robert: pay cut in recognition of British Steel's less than sparkling performance

THE RESULTS were poor but Sir Robert Scholey, British Steel's near septuagenarian chairman, was at his abrasive and provocative best.

"We can only manage two more questions, so let's have good ones," he implored at yesterday's hurried press conference. A few minutes earlier he had reprimanded one reporter *for his distinctly anglicised* pronunciation of the Scottish town 'Dalzell.'

The following were the principal points to emerge from Sir Robert's peroration:

● The chairman is to take a pay cut this year, in recognition of his company's less than sparkling performance. "You cannot dissociate productivity and pay," he said, adding "I don't feel ashamed about what I'm getting."

In 1989-90, the group's first full financial year in the private sector, Sir Robert received an enviable 79 per cent pay increase to £308,751. "I am not giving anything to charity", he promised yesterday in his inimitably blunt style.

● *The company is delaying* revealing detailed plans for its possible joint venture with Bethlehem Steel of the US, pending the successful conclusion of talks with the United Steelworkers' union.

"They (the USW) have got to understand that both us and Bethlehem are after world competitive costs," he said. "We are both hopeful that we will get a sensible response from the USW - *then* we will unveil our plans."

● Sir Robert insisted that chief executive Mr Martin Llowarch's surprise resignation in May was "purely on personal grounds." The departure threw *into disarray the company's* plans for an orderly succession to its veteran chairman.

● So long as Sir Robert does stay at the helm, there will be no closure of the group's London headquarters, although rationalisation of management and administration is taking place.

"We probably have not made the best use of information technology", he said. "There is a generally held view that we could have a more sharply-pointed management."

● Sir Robert also reiterated his view that significant capacity cuts were needed in the *European steel industry*. There is *about* a 10m-tonne excess of European sheet coil capacity, he believes.

Turnover breakdowns supplied along with yesterday's results showed that the group succeeded in lifting exports by nearly 10 per cent to 4.7m tonnes (4.3m). Almost 60 per cent of sales in currency terms (64 per cent) continued to be generated in the UK, however.

By product, there was quite a *sharp decline from £1.07bn to* £865m in sales of uncoated strip products, while stainless products and semi-finished products registered sales of £350m (£397m) and £401m (£466m) respectively.

Turnover from distribution, by contrast, rose to £786m (£519m), reflecting the purchase of Walker Brothers, formerly the UK's largest independent steel stockholder.

The source and application of funds statement showed a net outflow of £139m, despite encouraging decreases in both stocks and debtors. Redundancy and other rationalisation costs nearly doubled to *£91m (£50m).*

The group benefited from net interest and other income receivable of £81m (£94m).

See Lex

Furniture companies merge in £23m deal

By Jane Fuller

TWO LANCASHIRE-based office furniture companies yesterday announced their intention to merge in a deal worth £23.2m.

Alan Cooper Holdings is offering eight shares for every 11 in Mayfield, which was known as Dauphin until three weeks ago.

At Cooper's closing price of 148p, down 4p, Mayfield's shares were valued at 107.6p, compared with a closing price of 103p, up 5p. Dauphin's flotation price three years ago was 105p.

Mr James Blyth Currie, head *of Cooper and chairman of the* combined group, to be called Calderburn, said it would make about £5m profit on combined sales of more than £33m.

Last year, Cooper's pre-tax profit fell 37 per cent to £1.94m on sales of £12.66m. Mayfield, involving the Dauphin seating subsidiary and Unit Press, a components maker, saw taxable profit slip *to £3.51m (£4m) on sales of* £20.93m.

Mayfield's earnings per share were 11.07p. Its net assets stood at £7.6m in December. The new group will have £2m cash and net assets of about £14m.

Mr Blyth Currie said the UK office furniture market had shrunk by about 35 per cent from its 1989 peak. Its total value was £650m, of which *Calderburn would have about* 4 per cent. It also exported to Germany.

After the merger, the current holders of Mayfield stock would have 60 per cent of the enlarged group. About 60 per cent of the equity would remain in directors hands.

Mr Alec Waddicor, head of Mayfield and Calderburn's chief executive, would hold 18 per cent with his family, as would connections *of Mr* Wilfred Dauphin, his German partner.

The offer has been accepted by the holders of 67.7 per cent of Mayfield's shares.

PowerGen at £272m exceeds prospectus forecast by £8m

By Andrew Bolger

POWERGEN, the electricity generator, yesterday reported pre-tax profits of £272m in the year to March 31, £8m higher than forecast when it was privatised earlier this year.

The company said it had gained a market share of 28 per cent, in line with expectations. Costs per unit of output were down by 2 per cent and productivity increased by 6 per cent.

Mr Ed Wallis, chief executive, *said staffing* had been reduced by a net 800 people during the year to 8,304, and he expected to shed another 1,100 people in the current year.

PowerGen had enjoyed continued success in the direct sales market, selling to 100 large customers on 400 sites, *which represented 10 per cent* of the market. Since April, the number of customers had increased to 140 and the number of sites served to 460.

Mr Wallis said the company was pursuing a low-cost producer strategy by increasing *the productivity* and cost-effectiveness of its existing business and by investing in new and more efficient power stations using combined cycle gas turbine (CCGT) technology.

Construction of PowerGen's first 900 megawatt CCGT station at Killingholme in south Humberside *was on schedule* to begin producing electricity next year.

Work had also begun on a second gas turbine station of 680 MW at Rye House in Hertfordshire.

Mr Wallis said the company was improving its network for importing coal. PowerGen would be importing at least 10m tonnes of low-sulphur coal by 1993 to meet EC regulations on emissions.

PowerGen also intended to broaden and extend its activities to support future growth and had tendered for power station contracts in Portugal and Spain.

Earnings per share were 23p, 1p higher than forecast in the prospectus. The dividend was 5.55p, as forecast.

● **COMMENT**

Apart from *the excitement* generated by the near tripling of Mr Wallis' pay, these results were broadly in line with expectations. However, the nasty experience of being stalked briefly by Lord Hanson last year seems to have put steel into the new management team, which has been *shedding* jobs with a will. The highly political environment which these newly privatised companies must *operate in means* that lower fuel costs will probably be passed on to customers, but increases in productivity will go to shareholders. Forecast earnings of £342m for the current year put the shares on a multiple of 7 and prospective yield of nearly 6 per cent. They look attractive at that level, given the continuing scope for cutting the cost base.

Ritz Design directors quit

By Jane Fuller

Michael Bancroft

THE CHAIRMAN and the finance director of Ritz Design Group, a supplier of blouses and underwear to Marks and Spencer, left the company yesterday after £300,000 of unauthorised personal spending was revealed.

Mr Michael Bancroft, company chairman and holder of 21 per cent of the shares, was responsible *for the vast majority* of the amounts concerned, said Mr Richard Clemons, a non-executive director who is *acting chairman.*

Both Mr Bancroft and Mr Tony Cartwright, finance director, had agreed to repay the sums involved.

"It's a tragedy and plain stupidity," Mr Clemons said. The spending was "to do with personal property and so on."

The company, based in Nantwich, Cheshire, suspended its shares yesterday at 166p.

The irregularities committed by Mr Bancroft and Mr Cartwright were discovered after a query to the Inland Revenue, which is conducting an investigation. Mr Clemons said he had been made aware of the *problem last week.*

At yesterday's suspension price Mr Bancroft's holding was worth £3.1m and Mr Cart*wright's about £250,000.*

The company's auditors, Touche Ross, are conducting an investigation. The annual report and accounts have been withdrawn, although the company's financial position is said to be unaffected. The annual meeting on Thursday will be adjourned.

Newman Tonks sells £8.5m non-core arm

Newman Tonks has sold Randall Electronics to Danfoss *for an initial £7.65m cash. The* maximum consideration is £8.5m, with the balance deferred for two years.

Mr Geoff Gahan, Tonks' chief executive, said that the sale of Randall, which makes and supplies central heating and time controls for domestic and commercial markets, was a continuation of the policy of concentrating on the group's core architectural products business.

Randall made £849,000 pre-tax in the year to October 31.

Marling dives 52% to £3.6m

THE MARKED decline in the *UK commercial vehicle market* contributed towards a 52 per cent contraction in annual profits at Marling Industries.

The taxable outcome at this industrial textile, safety products and vehicle body-builder fell from £7.51m to £3.6m over the 12 months to March 31.

The latest figure included an exceptional credit of £531,000 relating to the repayment of fees for a terminated technology licensing agreement.

Mr Peter Held, chairman and chief executive, said a 50 per cent reduction in commercial vehicle registrations in the UK *had "impacted severely" on* Boalloy, the group's vehicle bodies subsidiary. A "phased restructuring" was being implemented at Boalloy, but order intake remained low.

Mr Held also attributed the profits downturn to increased interest rates in the Netherlands and Germany and problems in Spain, where "harsher trading conditions" and the need to replenish polypropylene stocks *at high prices* due to the Gulf conflict had hit profits.

Interest charges took £3.66m (£2.89m). The group is continu*ing to dispose of "peripheral"* subsidiaries producing "inadequate returns". Proceeds of the sales, which so far have raised some £5m, have been used to reduce borrowings.

Turnover improved marginally to £121.8m (£119.1m) as contributions from acquisitions offset volume decreases in existing activities, notably Boalloy.

Earnings per share emerged at 4.84p (14.68p) but the recommended final dividend is maintained at 2.9p for a same-again total of 4.2p.

Correction
Reed Executive

Reed Executive reported pre-tax profits of £5.1m in the year ended March 31 1990, not £1.5m as reported in yesterday's FT.

Turnbull Scott falls into loss of £3.4m

THE EXPANSION of its property division has left Turnbull Scott with a pre-tax loss of £3.39m in the year to the end of March compared with profits of £2.8m. It has also led to the sale of Sitex Security Products following its earlier disposals of the shipping division and Lydney Containers.

On turnover of £26.8m (£32.7m) there was a post-interest profit of £498,000 (£2.8m). However, there was an exceptional charge of £3.89m relating to property write-downs and the closure of the TS Frobisher property offshoot.

The £13.8m consideration for Sitex will be mainly applied to the early redemption of loan stocks.

The sale contributed towards an extraordinary charge of £3.71m (£15,000 credit). The sale of Stainless Spray and TS Shipping produced a profit of £3m but this was offset by the loss of investment value from the sales of Lydney and Sitex primarily resulting from accelerated write-off of goodwill.

Losses per share were 56.8p (earnings 29.9p) and the dividend is passed. A total of 9p was paid last time.

DIVIDENDS ANNOUNCED

Abtrust New Dawn ...fin	*0.5*	*Aug 28*	*0.5*	*0.5*	*1‡*
Amberley § ...fin	1.5	Oct 1	1.5	1.5	1.5
Anglia TV ...int	2.86	Aug 23	2.86	-	9.26
Asprey ...fin	3.75	Aug 14	3.25	4.85	4.35
Avesco ...fin	1	Oct 7	1	1.5	1.5
Bankers Inv Tst ...int	0.8☆	Aug 31	0.66	-	2.78
AB Engineering ...fin	0.1	-	0.1	0.1	0.1
British Steel ...fin	5.75	Aug 19	5.5	8.75	8.25
Danae Inv Tst ...fin	4.575	Aug 30	4.575	7.95	7.95
Davies & Newman ...fin	nil	-	3.5	nil	8
de Morgan ...fin	nil	-	nil	nil	1.375‡
Dowty ...fin	5.6†☆	Oct 1	5.5	9.2	9
Ensor § ...fin	nil	-	2.05	1.25	3.3
FNFC ...int	nil	-	4.5	-	13
Gresham House ...fin	nil	-	4.25	3	7.25
In Shops ...fin	1.79†	Oct 1	1.44	2.45	2.04
Lister ...fin	0.1	Oct 31	1	0.1	2
Lynx § ...int	0.5	Aug 1	-	-	0.75
Marling Inds ...fin	2.9	Oct 1	2.9	4.2	4.2
PowerGen ...fin	*5.55*	*Oct 21*	-	*5.55*	-
Prospect Inds ...int	0.1	Sept 3	0.1	-	0.2
Reed Executive ...fin	nil	-	0.6	0.6	1.2
Scot & Newcastle ...fin	9.9	Sept 9	8.58	15	13
Speyhawk ...int	nil	-	3.5	-	3.5
SWEB ...fin	*10.57*	*Oct 9*	-	*10.57*	-
Syltone ...fin	6	-	6	9	8
Turnbull Scott ...fin	nil	-	4.5	nil	9
Vardy (Reg) ...fin	2.4☆	Oct 1	2.4	3.6	2.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Scrip option. ‡Includes 0.5p special.

NEWS DIGEST

Bunzl in £13.3m disposal

BUNZL, the paper and printing group, has sold its remaining transportation interests for £13.3m. The company sold the *majority of this activity to* management in 1989 – the parcels side to Ramscroft and the specialist distribution side to Neathove.

As part of the consideration for the original sale Bunzl received 11m redeemable preference shares in Ramscroft and 700,000 redeemable preference shares in Neathove. Bunzl also subscribed for £7.7m of loan notes in Ramscroft.

Neathove *has now sold* the majority of the specialised distribution business to an unconnected party. Following the disposal, the Ramscroft loan notes and Neathove preference shares held by Bunzl have been redeemed in full at par and the Ramscroft preference shares have been sold for £4.9m to a subsidiary retained by Neathove.

For Bunzl, the proceeds will be used to reduce borrowings and to fund the growth of core businesses. Bunzl continues to hold 6.2 per cent of Neathove's *ordinary shares directly, and* indirectly, 10 per cent of Ramscroft's equity.

Teredo more than doubled at £273,000

Teredo Petroleum, the oil and gas producer and explorer, more than doubled pre-tax profits from £129,000 to £273,000 in the half-year to March 31. Operating profits increased more than tenfold from £55,000 to £616,000.

Turnover leapt to £4.55m (£848,000), though this included £1.42m in respect of crude oil bought from other groups. The cost of sales accordingly advanced to £2.32m (£323,000). Amortisation took £1.61m (£470,000), other expenses were up at £257,000 (£131,000) and the interest charge was £86,000 (credit £205,000).

Earnings per share grew to 0.9p (0.4p) having been adjusted for February's consol*idation of the ordinary capital into 50p shares.*

GPG gains New Zealand listing

GPG, the investment vehicle of Sir Ron Brierley, announced that in addition to the listing of the company's ordinary shares on the London Stock Exchange, listing, quotation and trading on the New Zealand Stock Exchange commenced on June 28. The shares remain suspended in London.

Lynx makes £1.5m move into leisure

Lynx Holdings, the USM-quoted maker of electronic equipment, is paying £1.5m for Town Art Investments which makes playground equipment and street furniture.

The announcement came at the same time as reporting doubled interim profits of £105,000 for the six months to the end of March compared with £53,000 for the period from October 23 to March 31.

The purchase price is to be satisfied by the issue of 3m shares of which 500,000 will be placed at 50p. A further 500,000 shares will be placed at the same price to cover the expenses of the purchase.

The shares were suspended on Friday at 47p because of the relative size of the acquisition. It is expected dealings in the enlarged capital will begin on July 24.

Lynx's turnover in the six months was £1.75m (£2.1m). Earnings per share came out at 1.5p (0.9p) and a first interim *dividend of 0.5p is declared.*

Losses deepen at Lister

Losses at Lister deepened from £1.27m to £1.71m in the year to March 30. Mr Justin Kornberg, chairman, said the result reflected the action taken to ensure the viability of ongoing operations.

Turnover at the Bradford-based textile company was £34.7m (£36m). The loss for the year was £3.88m (£1.9m) after extraordinary costs of £2.06m (£100,000).

Losses per share were 10.94p (8.96p). A final dividend of 0.1p is proposed following the passing of the interim. Last year there was a total of 2p.

In Shops advances by 14% to £3.7m

In Shops, the retail centre and executive centre specialist, lifted taxable profits by 14 per cent to £3.71m in the year to March 31.

The advance from £3.25m was struck on turnover ahead to £21.3m (£18.1m).

Earnings slipped by 1p to 7.3p per share, reflecting, the company said, the effect of the March 1990 placing and open offer. However the final dividend rises by a proposed 24 per cent to 1.79p to give a total distribution of 2.45p (2.04p).

ASB Barnett on point of acquisition

ASB Barnett Kinnings, the USM-quoted accountancy and executive selection consul*tancy, has confirmed that it is* in talks which might lead to a significant acquisition. Its shares were suspended at 23p *on* June 3, pending a detailed announcement.

In its preliminary results, the company has cut its pre-tax losses from £254,000 to £148,000 on turnover down slightly at £1.04m (£1.14m).

Losses per share were reduced to 3p (5p).

Prospect declines to £112,000

Prospect Industries, the Hull-based engineering group, returned pre-tax profits of £112,000 for the half year to March 31 against £263,000 last time, with annualised earnings per share down from 0.52p to 0.22p.

Turnover fell from £5m to £3.7m. Mr Philip Wilbraham, chairman, said the results reflected the "impact of the recession on components manufacturers". But they bore little relationship to the present shape of the business as they were struck before the £14.25m acquisition of the engineering services company Dunn International in May.

A same-again interim dividend of 0.1p is paid from earnings of 0.11p (0.26p) per share.

AB Engineering returns to the black

Action taken to deal with problems in its catering division helped Associated British Engineering record a small taxable profit in the year to March 31, after an interim loss.

The outcome was a profit of £108,000 (£1.28m) on turnover *static at £36.5m (£37m). Profits* rose in engineering to £510,000 (£456,000) but there was a loss in the Middle East operations *of £144,000 (£73,000 profit).*

Earnings per share came out at 0.03p (0.32p) and the dividend is maintained at 0.1p.

Net assets dip at Abtrust New Dawn

Abtrust New Dawn Investment Trust, which specialises in Far East markets with emphasis on Thailand, Malaysia and Indonesia, had a *diluted net asset* value of 122.46p at April 30.

The figure showed a slight decrease from the 129.87p of a year earlier.

Net revenue for the year was £157,882, down from £352,906. Earnings per share dropped to 0.53p (1.56p) but the dividend is held at 0.5p.

Assoc British Ports sells office for £75m

Grosvenor Square Properties, a wholly-owned subsidiary of Associated British Ports Holdings, has sold Aldwych House for £75.2m to subsidiaries of Algemeen Burgerlijk Pensioenfonds and the Aegon Insurance Group, which are acting in partnership on a 50:50 basis.

UK COMPANY NEWS

Free trade strength helps S&N advance to £217m

By Philip Rawstorne

SCOTTISH & Newcastle Breweries brought some cheer back to the brewery sector yesterday with an 18 per cent increase in pre-tax profits from £183.3m to £216.8m for the year to April 28.

The group demonstrated its strength in the growing free trade market with a 12 per cent rise in beer profits to £96.1m (£85.6m).

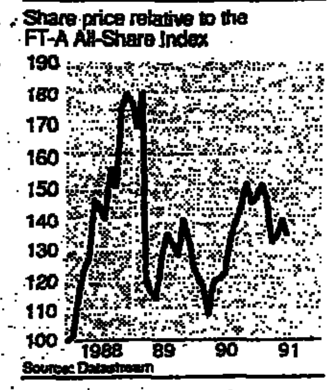
Mr Brian Stewart, recently appointed chief executive, said that volume sales of beer – including such brands as Newcastle Brown Ale, McEwan's, Beck's and Theakston's – had increased by 2.5 per cent in a market which had declined by about the same amount.

"Volume and share growth was achieved in both the on-trade and in take home sales," he said.

The accounts included an extraordinary £15.8m as the cost of implementing changes arising from the Monopolies and Mergers Commission report on the industry.

Scottish & Newcastle

Share price relative to the FT-A All-Share Index



Source: Datastream

Earnings per 20p share rose 19 per cent to 34.1p (28.7p). A final dividend of 9.9p is proposed, lifting the total by 15 per cent to 15p (13p).

Operating profits rose more than 7 per cent to £226.2m (£210.9m) on turnover up 11 per cent from £1.24bn to £1.38bn.

Leisure operations – Center Parcs and Pontin's – contributed profits of £65.5m (£44.5m). Though Center Parcs was included in the full year's figures for the first time, Mr Stewart said that "leisure profits would have risen anyway by double figures."

The business had benefited from continuing high levels of occupancy and improved margins, and earnings in the Netherlands, Belgium, and France had helped to cushion the effects of the UK recession.

Retail profits were down slightly from £56.1m to £55.4m – affected by difficult trading conditions and the pub disposal programme implemented last year. "Traditional pubs traded relatively well but our restaurants found business more difficult," Mr Stewart said.

There was some concern about the level of consumer spending this year, he added, but the group considered itself well placed competitively.

The shares rose 12p to 382p.

See Lex

Gresham House price collapses

By Philip Coggan

THE SHARE price of Gresham House, an investment trust, plunged by two thirds yesterday – from 225p to 75p – as the market reacted to last Friday's announcement of a 32 per cent fall in net assets and passing of the final dividend.

A series of disastrous investments caused the trust to make exceptional provisions of £15.2m for the calendar year 1990, equivalent to 358p per share. The loss attributable to shareholders was £16.78m, more than one and a half times the trust's market capitalisation at the start of trading yesterday.

The trust's single largest investment was in Omnitech, the packaging group, where shares have been suspended and administrative receivers have been appointed at two subsidiaries.

Receivers were also appointed at another of the group's investments, Entertainment Group Holdings, which was hit by the effect of the Gulf war on the Bolshoi ballet's tour of the US and of the failure of the Red Army Choir to go on tour. EGH was valued at £360,000 in the trust's 1989 balance sheet.

The trust has also taken a provision against the carrying costs of its property developments – valued at over £6m in the 1989 Annual Report, which also shows that Gresham had a holding in Polly Peck. The unquoted investments have been written down to £500,000 (£4m at end 1989).

Gresham said that it had been necessary to realise a large part of the quoted portfolio to contain group borrowings which "still remain high."

Such a calamitous fall in the assets of an investment trust is highly unusual, although trusts specialising in venture capital are more prone to swings in valuation. Gresham is a trust with one private shareholder – Newinnhall Trust – owning 40.1 per cent.

Dewhirst bids for Kingsgrange

DEWHIRST, the textile and toiletries group, is expanding its toiletries interests through a £10.2m agreed offer for Kingsgrange, writes Alice Rawsthorn.

Kingsgrange, which, like Dewhirst, is one of the largest toiletry suppliers to Marks and Spencer, last month unveiled plans to go private through an £8.6m management buy-out.

However, Dewhirst has tabled a higher bid. Its offer is recommended by Kingsgrange's independent directors and J Henry Schroder Wagg, its advisers. Dewhirst is advised by NM Rothschild and Cazenove.

Dewhirst is offering six of its new shares for every five Kingsgrange shares valuing Kingsgrange at 33p per share, compared to 28p for the original management offer. There is also a cash alternative of 30p per share. Dewhirst is funding the offer with a share issue underwritten by Rothschild.

High Court upholds removal condition for Walker

By Maggie Urry

THE HIGH Court has dismissed Mr George Walker's application for an injunction to stop banks which lent to Brent Walker, the leisure group, from making his removal as a non-executive director a condition of a refinancing package.

Mr Justice Morritt, presiding, decided that a letter, dated November 27 last year, from Standard Chartered, Brent Walker's lead bank, and remarks made on the same day, did not go as far as promising Mr Walker that he would continue to be maintained as a director of the group if he ceased to be chief executive, a position he lost on May 30.

The application had also asked that any of the named banks, which are on the steering committee of all 47 lenders to the company and which had Brent Walker shares, should not be allowed to vote for Mr Walker's removal as a director.

An affidavit made to the court revealed that Trustee Savings Bank, one of the defendants, could vote 4.75m shares, 9.5 per cent of the equity. These are believed to be shares pledged to TSB as security against a loan to Mr Walker.

It is now up to shareholders to decide whether Mr Walker should remain as a director at a special meeting today. It will take a 75 per cent majority of those voting to remove him, and Mr Walker appeared confident yesterday that he had sufficient votes to remain on the board.

In an affidavit made to the court, Lord Kindersley, Brent Walker's chairman, said that if Mr Walker remained as a non-executive director, the banks would not approve a refinancing package necessary to the company's survival.

Mr Walker does not have time to appeal against the court's decision before the meeting at 11am today. However, an appeal will be pursued after the meeting, DJ Freeman, his solicitor, said last night.

Restructured Dowty falls 29% to £61m

By Andrew Baxter

DOWTY GROUP, the aerospace and electronics concern, yesterday announced a 29 per cent fall, from £85.4m to £60.6m, in pre-tax profits for the year to March 31.

The company has been hit by the recession in the aerospace and defence sectors and fundamental changes in its markets, prompting significant reorganisation and moves to cut costs. A further blow came last month with the departure of Mr Tony Thatcher, its ebullient chief executive.

Mr Roy Roberts, who replaced Lord Harrowby as chairman at the same time as Mr Bruce Ralph replaced Mr Thatcher as chief executive, said the results were at the upper end of the indication given in April.

Mr Ralph said the result was a disappointment, but conditions were extremely difficult and continued to be so. A deep recession in the last quarter of the calendar year had been exacerbated by the Gulf war, affecting civil aerospace work in particular.

Turnover, helped by four acquisitions during the year, rose 5 per cent to £769m but operating profits fell 17 per cent to £78.8m. Pre-tax profit was struck after a £4.8m exceptional item linked to reducing the cost base in the information technology division, and a rise in interest costs from £9.2m to £13.2m.

Net profits fell from £50.1m to £25.2m after a lower tax charge and a £14.6m extraordinary item linked to restructuring of the aerospace division and closures in the electronic systems division.

Redundancies implemented or announced amount to 2,300 people, mostly in the UK.

Among the divisions, only the electronics division lifted operating profit, from £11.2m to £13.2m. Volume will fall significantly this year due to the end of the Tornado reheat system business and the cancellation by the Royal Navy of a magnetic treatment facility contract.

Aerospace profits fell from £46.2m to £42.5m, with rising costs only partially recovered through price increases.

Information technology profits dropped from £22m to £13.1m, due to lower volume and increased emphasis on local and wide area networking products that require higher engineering spending.

The smallest division, polymer engineering, saw profits fall from £13.8m to £9.9m.

Earnings per share fell from 21.3p to 15p. The final dividend is 5.6p for a 9.2p (9p) total.

● **COMMENT**

Dowty presents a very different face to the City with Mr Thatcher's departure, but shareholders will happily trade flamboyance for effectiveness as the company comes to grips with its cost base. Reorganising the aerospace side in a recession is as good a time as any, and long-term prospects are underpinned by buoyant forecasts for civil aerospace, at least at the big end of the market.

The main question mark is on defence-related business, which accounts for 85 per cent of the electronics division. With gearing peaking this year at about 50 per cent and market conditions remaining tough, a recovery in profits will probably have to wait until 1992-93. As for the takeover rumours, Mr Roberts discounts a UK contender, and even the most deep-pocketed of foreign suitors is unlikely to bid at a p/e of nearly 13.

Creditors refinance PPI arm

By David Barchard

THE MAIN CREDITORS of Polly Peck International are to pump £21.4m into the group's Far Eastern electronics operations to help keep the business afloat.

Coopers & Lybrand Deloitte, the company's administrators, said yesterday that the arrangement is believed to be the first ever refinancing by its creditors of a large company in administration.

Details of the refinancing will be put to a meeting between the steering committee of Polly Peck's creditors and the administrators today. However, the creditors have already accepted the administrators' view that refinancing will help stave off a forced sale and enable Sansui and Capetronics, PPI's two main consumer electronics operations in the Far East, to remain viable.

The refinancing consists of a a rolling credit facility in two parts, \$22.5m (£13.7m) in dollars and £7.67m in sterling.

Postel, the pension fund manager for the Post Office, has put up the largest single contribution, but Société Générale, Standard Chartered Bank, and Friends Provident have also contributed.

Sansui, the consumer electronics group, in which PPI purchased a 72 per cent stake in late 1989, is in especially urgent need of funds. The sale to PPI was intended to provide financial muscle to overcome several years of trading at a loss. However in May it was revealed at the creditors' meeting that Sansui had remitted a large amount of its working capital to PPI in London before administration.

SW Electricity ahead of forecast

By Andrew Bolger

SOUTH WESTERN Electricity reported pre-tax profits of £66.2m in the year to March 31, compared with £44.9m forecast in its prospectus.

Mr William Nicol, chairman and chief executive, said profits were above the forecast because of higher sales towards the end of the year due to cold weather, lower purchase costs of electricity and better results from its retailing business. Turnover rose from £747.9m to £779.4m.

South Western said total units distributed were 3.1 per cent up on the previous year. During the year a small number of consumers had chosen to purchase their electricity from other suppliers, but the effect on the company's profitability was minimal.

Mr Nicol said: "While the economic downturn has affected and will continue to affect the south west, particularly in the defence industries, our strong domestic profile offers a strong starting point for further growth when the economy recovers."

Domestic sales increased by 4 per cent, due mainly to colder weather.

In the business sector, sales had been gained as firms increasingly appreciated the benefits of air conditioning.

The company spent £81m on capital projects, £61m of which was devoted to extending, improving and replacing its electricity distribution system.

Earnings per share were 41.6p, compared with a prospectus figure of 32.3p, but the dividend was as forecast at 10.57p.

Car price war favoured by Vardy

By Jane Fuller

A PRICE war in the new car market would be good news for motor dealers, according to Mr Peter Vardy, chairman of Reg Vardy.

"The fiercer it is, the better it will be," he said. A price war would bring back the private customer, who had been priced out of the new car market.

Pre-tax profit fell to £4.37m (£4.45m) on sales 44 per cent ahead at £182.6m (£126.6m). The bulk of the growth came from acquisitions. Operating profit improved to £5.61m (£5.13m), although the property contribution fell to £100,000 (£500,000).

Repairs and servicing accounted for 43 per cent (35 per cent) of gross profit. Turnover increased by 65 per cent.

Interest payments nearly doubled to £1.24m (£681,000). The group went from £1m cash – left over from the September 1989 flotation proceeds – to about £3.4m debt, giving gearing of 18 per cent.

Earnings per share were 9.6p (11p), reflecting increased equity after the flotation. A maintained final dividend of 2.4p makes a total of 3.6p (unchanged on the 1989-90 notional total).

COMMODITIES AND AGRICULTURE

RTZ urged to hurry on Lihir gold decision

By Kenneth Gooding, Mining Correspondent

RTZ CORPORATION, the world's biggest mining group, has been told by the government of Papua New Guinea to hurry up with a decision about the much-delayed US$1bn project for Lihir Island, one of the biggest known gold deposits outside of South Africa.

PNG yesterday extended RTZ's prospecting licence, which expired in mid-June, for only nine months instead of the usual two years. It also insisted that RTZ deliver a development proposal to the government in the first quarter of 1991.

However, a PNG official made it clear the government would not attempt to force RTZ to develop a mine on Lihir unless it was a viable proposition.

RTZ said it had every intention of submiting a development proposal before the end of next March. It recalled that its latest feasibility study showed a potential return on investment for Lihir that was too low and would not attract finance.

Drilling was still going on to search for more high-grade, near-surface, ore which would be easily mined to improve the cash flow from Lihir in the early days of a mine's life, said RTZ. At the same time, new technology for processing difficult, refractory ores of the type found at Lihir was being evaluated.

PNG is growing impatient because it could well do with the income represented by Lihir, which would produce about 850,000 troy ounces of gold annually in the first nine years of its 40-year life.

RTZ currently owns 80 per cent of the project with the other 20 per cent held by Nuigini Mining, a subsidiary of Battle Mountain Gold of the US. The PNG government is expected to take a 20 per cent shareholding before mining begins.

Mr Geoff Loudon, chairman of Nuigini, said recently that the forecast return on the project was "not wonderful but was acceptable." He said disagreements between his company and RTZ were mainly about the perception of the risk involved in mining in PNG.

He said projected cash costs of US$180 an ounce would place Lihir among the 25 lowest-cost gold mines in the world. While the deposit was in a dormant volcano, in the first ten years it would be possible to mine the highest grade and most easily recoverable ore in areas where temperatures were not particularly high, said Mr Loudon.

Chilean copper strike takes out 6% of world production

By Leslie Crawford in Santiago

STRIKING CHILEAN miners yesterday closed down Chuquicamata, the world's biggest copper mine, for the first time in 18 years.

Intense negotiations at the weekend between Codelco, the state copper company, and the Copper Workers' Federation (CTC) failed to avert the conflict.

Codelco offered an extra day's holiday beginning next year, help with mortgages and more resources for Chuquicamata's schools, but it insisted that there was no money to raise the wages of Chuquicamata's 9,000 miners.

The CTC yesterday blamed the strike on management's intransigence. Union negotiators said they had been prepared to be flexible over their 9.95 per cent wage claim, but the real stumbling block concerned the dismal climate of labour relations at the mine.

Mr Alejandro Noemi, Codelco's chief executive, said that Codelco was going through the most critical period in its history. "Our mines are old in poor shape and almost exhausted. I cannot allowany increase in wages without corresponding increases in productivity."

Mr Noemi said that the problem of Codelco's workers did not concern pay. However, he recognised that the company had been unable to improve labour relations. He invited the striking miners to sit down to talks on how labour relations could be improved. "Let us abandon this sterile confrontation and build together a modern company."

Chuquicamata gradually shut down its copper smelter and refinery over the weekend in anticipation of the strike. The mine produces 1,700 tonnes of copper a day, half of Chile's total or about 6 per cent of world production. Codelco says the strike will cost it $3m a day, although it says it has supply commitments covered for 60 days.

The stoppage will also paralyse Codelco's port handling facilities at Antofagasta and the thermo-electric power station at Tocopilla. This has caused alarm in northern Chile as Tocopilla supplies electricity to most of the region's cities and other important mines in the Atacama desert such as La Escondida.

Mr Darwin Bustamante, leader of the Copper Workers Federation, said that Codelco's management would probably be able to keep some generators at Tocopilla functioning for a few days. But "after that they will run into technical problems," he warned.

Mr Bustamante, a Christian Democrat like President Patricio Aylwin, called on the government to intervene in the conflict. "Codelco is a state company. Its exports are vital to the nation. The government cannot ignore its responsibility in this crisis," he said.

The government, however, is reluctant to set a precedent for state interference in industrial strife, even though it receives a quarter of its income from Codelco. President Aylwin has the power to decree a forced return to work, but this would mark a serious political setback for Chile's fledgling democracy.

Strikes have a legal limit of 60 days in Chile, but few observers believe the stoppage at Chuquicamata can last that long. The CTC cannot support its members with strike pay, although it will distribute free food and organise soup kitchens. Hire-purchase shops at the neighbouring town of Calama have agreed to allow miners an instalments holiday until they return to work.

If the government does not step in to restore peace at Chuquicamata, Codelco faces the prospect of the conflict spreading to its other three divisions – El Teniente, Salvador and Andina – where wage negotiations begin this month.

● At the London Metal Exchange, where dealers had fully expected the strike to go ahead, the cash delivery price rose only £5.50 yesterday to £1,402.50 a tonne.

Canberra to support exploration

By Kevin Brown in Sydney

AUSTRALIA'S LABOR government yesterday moved to repair its damaged relationship with the mining industry by promising full support for "vigorous exploration".

The Australian Mining Industry Council warned recently that exploration funds might be diverted to more sympathetic countries unless the government created a more favourable investment atmosphere.

The warning followed a cabinet decision to block a proposed gold, platinum and palladium mine at Coronation Hill, in the Northern Territory, which some aboriginal groups said would impinge on traditional spiritual beliefs.

There was also widespread disappointment that Labor's biannual conference in Hobart last week failed to consider calls for relaxation of the party's arbitrary policy on uranium, which allows mining from only three named sites in the Northern Territory and South Australia.

Mr Alan Griffiths, resources minister, urged the mining industry to accept an assurance by Mr Bob Hawke, the Prime Minister, that the Coronation Hill decision was a special case with no implications for other mining proposals.

Mr Griffiths said he was more convinced than ever of the need for a robust and vigorous exploration effort in Australia. "Exploration is essential to ensure that the stock of unidentified economic resources is continually renewed," he said.

Mr Griffiths said Labor's difficulties on the uranium issue reflected "a powerful anti-nuclear fuel cycle sentiment in the community". However, he implied that the battle for development of Australia's extensive reserves of low cost uranium was not over.

"The challenge for the industry is to educate the Australian public, to bring about the necessary degree of support. But this is a democracy and that support will have to be earned, not demanded. I believe it is achievable," he said.

Meanwhile, a proposed deal between Pancontinental Mining and Energy Resources of Australia aimed at allowing mining of Pancontinental's Jabiluka uranium deposit appears to be close to completion.

Mr Richard Knight, chief executive of ERA, said six months of talks between the two companies would be concluded "very shortly."

ERA, a 65 per cent subsidiary of North Broken Hill Peko, owns the Ranger uranium mine in the Northern Territory, one of the three mines allowed to export uranium under Labor's restrictive policy.

The talks have centred on ways of enabling ERA to expand its reserves by acquiring or including the Jabiluka deposit, which is adjacent to Ranger, in an area excluded from the Kakadu national park.

Mr Knight said the discussions involved "essentially, a purchase of Jabiluka by either North Broken Hill Peko or ERA, and the merging of the operations of Ranger and Jabiluka".

Pancontinental has invested about A$60m in development of Jabiluka, but has been unable to win permission to mine the deposit, in spite of the strong support of local aboriginal landowners. Mr Tony Grey, Pancontinental's chairman, said after the Labor conference that the company would have to "take stock" of the Jabiluka project, which has been stalled for eight years.

UK farmers 'face 50% cut in incomes'

By Paul Cheeseright in Stoneleigh, Warwickshire

BRITISH FARM incomes will be reduced by up to a half of their current levels if the European Commission's latest proposals for reform of the common agricultural policy are put into effect, the National Farmers' Union claimed yesterday.

This declaration at the Royal Show, in Stoneleigh, Warwickshire, by Mr David Naish, the NFU president, allied to comments by Mr John Gummer, the Minister of Agriculture, showed that the British farming community is stiffening its sinews for a struggle with Mr Ray MacSharry, the EC agriculture commissioner.

The full Commission meets on July 10 to discuss the latest MacSharry proposals and agriculture ministers will pick them over shortly afterwards. Mr MacSharry, seeking to pave the way for a settlement of the Uruguay Round of international trade negotiations, is proposing a cut of 35 per cent in guaranteed cereal prices, compulsory measures to take land out of production, a 15 per cent price cut for beef, a reduction in milk quotas and the introduction of a sheepmeat quota.

Mr Gummer refused to comment directly on a document which he had not yet seen, but he noted that his views about small farms were different from those of Mr MacSharry and that from what he had heard of the proposals they did not match the lessons from the first set of proposals outlined by Mr MacSharry earlier this year and rejected by the EC.

"If we are to reform the CAP, which we want to do, which we need to do, that we must do, that reform must be based on a sensible programme rather than discrimination by size," Mr Gummer said.

One of the key points of the NFU criticism of the latest MacSharry proposals is that they will discriminate against the efficient farmer. Mr Gummer agrees with the general point that you cannot have a policy that supports the least efficient and not the most efficient.

Underlying the opposition to Mr MacSharry is the stress under which the British farming industry is already operating. His proposals come against the background of falling incomes among British farmers.

The latest figures from the Agricultural Engineers' Association, published at the Royal Show, show that tractor sales, acknowledged as a barometer of the state of the industry, were running 21.7 per cent lower in the first half of this year compared with 1990.

Canada develops trade war defence strategies

Bernard Simon describes efforts to maintain grain exports in the face of US and EC subsidies

REALISING THAT it has little leverage to halt the ferocious price war in the international grain trade, Canada is trying to woo customers with a sales pitch that relies on less costly inducements.

New strains of wheat and seminars for foreign flour millers are among the weapons that the Canadian Wheat Board is increasingly using to sustain the loyalty of old customers and to win new ones.

Mr Lorne Hehn, the wheat board's chief commissioner, has even started referring in speeches to the large amounts of fertiliser, pesticides and other chemicals used by European farmers compared with their prairie counterparts.

"We can't fight them in Gatt [the General Agreement on Tariffs and Trade] any more, so I'm starting to use the environmental argument," Mr Hehn says with a hint of frustration.

Observing that agriculture is a key source of the nitrates found in European drinking water, Mr Hehn noted in one recent address that "increasingly, our customers are specifying maximum residue levels of pesticides. Canadian grain has residues well below measurable levels. This will become an important selling point and we could have considerable marketing advantage as a result."

Although Canada produced only 4.5 per cent of the world wheat crop last year, it was the third largest exporter (after the US and European Community), accounting for 18.6 per cent of total world trade.

Canada is a founding member of the Cairns group of food exporting countries, which is seeking a truce in the US-EC subsidy war. But the Canadians accept that, with the Uruguay Round of Gatt multilateral trade negotiations deadlocked and another bumper harvest taking shape in the northern hemisphere, the prospects for a significant rise in grain prices are remote for the forseeable future.

Assuming no surprises during the crucial July growing period, this autumn's prairie crop could be one of the biggest on record. Statistics Canada estimated last week that farmers had planted 34.8m acres of wheat this year, 1 per cent more than last year. The first official crop estimate will be published on September 6.

Mr Daryl Kristjanson, analyst at the Saskatchewan Wheat Pool, estimates that the total grain harvest in Saskatchewan could reach as much as 24m tonnes, compared with the average of 19m tonnes.

The International Wheat Council yesterday cut its forecast for the world wheat harvest in the 1991-92 crop year (July/June) by 5m tonnes from its May estimate to 560m tonnes, writes David Blackwell.

However, the IWC pointed out in its market report that such a crop would be second only to last year's record 595m tonnes. The reduced estimate reflects poorer prospects in the US, where wet weather has damaged crops, and the Soviet Union, Argentina and Australia.

The IWC forecast for coarse grains is unchanged at 830m tonnes.

World trade in wheat is now expected to total 94m tonnes, 2m tonnes down on the May forecast, but still 2m tonnes above the previous year's output.

The report says that market conditions remain highly competitive. "Worsening economic prospects in several importing countries, notably the USSR, and the increasing reluctance of the world's banking system to undertake high-risk lending, have placed further pressure on exporting countries to maintain credit assistance."

Competition, especially from the US, has intensified even further in recent months. One recent sale of US durum wheat to Algeria – which was Canada's second biggest durum customer last year – carried an Export Enhancement Program bonus, or subsidy, of US$43 a tonne.

The wheat board, which markets all Canada's exports, has little choice but to match prices offered by the US and EC if it is to maintain its market share.

The board declines to discuss export prices, but reports in the grain trade suggest that it has made sales at prices below C$100 (US$87) a tonne.

The subsidy war has not only pushed down prices but also narrowed the traditional premium paid for Canada's high-quality prairie spring wheat. The wheat board has increasingly had to offer credit to win business.

The cost of the price war is immense for Canada, which exports 70 per cent of its crop but has far more limited financial resources than its two main competitors. Mr Greg Arason, chief executive of Manitoba Pool Elevators, a Winnipeg-based co-operative, says that "there's a mentality setting in among farmers of doom and gloom, of no way out."

The board's wheat-pool account will this year post only its third deficit in half a century. But this year's shortfall, which will be covered by Canadian taxpayers, could reach C$500m.

Farmers are at present being paid C$135 a tonne for wheat, but are steeling themselves for a drop to about C$100 when initial prices for the 1991-92 crop year are announced towards the end of next month.

The blow to the farmers is cushioned for the time being by two new income stabilisation programmes funded mainly by the federal and provincial governments. The two programmes could put C$3bn in grain and oilseed producers' pockets next season.

The cost of clinching export orders has forced the board also to look at other ways of maintaining market share. "We have to use everything in our deck of cards," Mr Hehn says.

Ironically, Washington's generous export subsidies have opened a gap for Canada in the non-subsidised, domestic US market. Mr Hehn estimates that US mills will this year buy about 10 per cent of Canada's production of durum, the strain of wheat used in the fast-growing pasta market. Canada will also ship 200,000 tonnes of spring wheat, equal to 1 per cent of total exports, south of the border.

Development of new varieties has enabled the Canadians to open up new markets, especially in the Mediterranean and the Middle East. Several cargoes of a new strain of semi-hard spring wheat were shipped to Kuwait before the Iraqi invasion last August.

Mexico, South Korea, South Africa, Colombia and Iran are among the other countries which have emerged as increasingly important customers for Canadian wheat.

Although the price premium has narrowed, quality, consistency and reliability remain cornerstones of the wheat board's sales pitch.

With a monopoly on exports, it is in a stronger position than most other shippers to impose tight grading standards, not only within a single cargo, but also from one cargo to another.

A strike by workers at the Vancouver grain terminal earlier this month showed that the Canadians will go to considerable lengths to avoid sullying their reputation. The stoppage had lasted less than a week before the government rushed a special law through parliament ordering the workers back to their jobs.

WORLD COMMODITIES PRICES

MARKET REPORT

A SHARP late rise in London coffee futures prices was not attributable to any known fundamental factor, traders said. "The thing is that nobody was really long of the market, so there were so sellers around," one explained as the September position climbed by £26 to £577 a tonne. Some traders doubted that the rally would continue. "It was at these levels that we started seeing heavy origin selling last week," one noted. A strong performance in the cocoa futures market, where the September quotation rose by £21 to £618 a tonne, was also thought to have resulted from technical factors. "The last downside burst on Friday in New York looks as if it was a bridge too far – we've been playing recently at seeing how close to zero we can get in both markets [London and New York]," one trader said. Others suggested that producer selling at the higher level was likely to limit any further gains. At the London Metal Exchange nickel prices were boosted by technical tightness in the August delivery period and expectations of a further decline in exchange warehouse stocks. The cash position rose by $112.50 to $8,565 a tonne, widening the three months backwardation (cash premium over forward quotations) from $25 to $42.50 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.60-5.70	-.025
Brent Blend (dated)	$18.45-8.60	+.125
Brent Blend (Aug)	$18.70-8.80	+.05
W.T.I. (1 pm est)	$20.60-0.65z	+.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$240-242	+1
Gas Oil	$178-179	
Heavy Fuel Oil	$63-64	-½
Naphtha	$188-190	+3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$368.95	-0.45
Silver (per troy oz)♣	448.5c	-1.0
Platinum (per troy oz)	$381.50	+5.4
Palladium (per troy oz)	$98.0	+1.25
Aluminium (free market)	$1320	+10
Copper (US Producer)	105c	+1
Lead (US Producer)	33c	
Nickel (free market)	395c	+1
Tin (Kuala Lumpur market)	15.40r	-0.14
Tin (New York)	263c	-1
Zinc (US Prime Western)	62c	
Cattle (live weight)†	109.39p	+0.21*
Sheep (dead weight)†	121.59p	-2.68*
Pigs (live weight)†	72.06p	-8.42*
London daily sugar (raw)	$262.0x	-2
London daily sugar (white)	$310.0x	+2.5
Tate and Lyle export price	£272.0	-1.5
Barley (English feed)	£110.0z	
Maize (US No. 3 yellow)	£183.0u	
Wheat (US Dark Northern)	£100.0	
Rubber (Aug)♥	55.25p	
Rubber (Sep)♥	55.75p	
Rubber (KL RSS No 1 Aug)	231.5m	
Coconut oil (Philippines)§	$410.0x	-5
Palm Oil (Malaysian)§	$327.5u	
Copra (Philippines)§	$280x	-10
Soyabeans (US)	£155.5	-4.
Cotton "A" Index	82.40c	-0.9
Wooltops (64s Super)	397p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct t-Jul/Sep u-Jul x-Jul/Aug y-Aug/Sep z-Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	222.00	227.40	228.00 221.00
Oct	190.20	185.40	193.00 185.20
Dec	172.00	178.00	177.00 172.00
Mar	182.40	176.00	182.40 180.00
May	186.40	177.40	179.00
Aug	190.00	183.40	186.00
White	**Close**	**Previous**	**High/Low**
Aug	313.0	310.0	312.0 303.0
Oct	289.5	288.5	289.0 284.5
Mar	261.0	258.0	260.5 257.5
May	261.4	259.0	257.0

Turnover: Raw 848 (654) lots of 50 tonnes. White 1362 (674)
Paris- White (FFr per tonne): Aug 1890.20 Oct 1656.07

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Aug	18.83	18.72	18.85 18.65
Sep	18.94	18.76	18.96 18.75
Oct	19.04	19.00	19.04 18.93
Nov	19.15	19.10	19.15 19.00
Dec	19.10	19.13	19.10 19.04
IPE Index	18.51	18.47	

Turnover 16981 (23893)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Jul	175.00	173.00	175.00 173.50
Aug	175.00	173.25	175.50 173.50
Sep	176.50	175.00	177.00 175.50
Oct	178.50	177.25	178.50 177.50
Nov	180.50	179.25	180.75 179.50
Dec	181.75	180.25	181.75 180.00
Jan	178.75	178.75	178.75 178.25

Turnover 18412 (16717) lots of 100 tonnes

TEA

There was a more general demand, reports the Tea Brokers' Association. Prices for brightest teas were firm. Better mediums were irregular and easier by 3p to 8p but mediums were firm and sometimes dearer. Plainer sorts were firm at last rates. Central Africans met with support at fully firm rates. Ceylons met fair demand, but at generally easier rates. In the offshore sale East African teas met limited demand and prices were 6p to 8p lower where sold. Central African teas met improved demand at firm to dearer rates. Quotations: quality 155p per kilo nominal, medium 94p, low medium 70p.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Jul	577	560	575 559
Sep	618	597	618 597
Dec	661	641	663 640
Mar	698	683	700 680
May	720	708	720 708
Jul	738	729	738 728
Sep	760	749	760 748

Turnover: 5833 (5833) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 28 753.48 (768.17) 10 day average for Jul 1 768.59 (769.48)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Jul	562	526	552 524
Sep	577	551	575 551
Nov	595	576	596 576
Jan	616	596	614 599
Mar	635	616	618 615

Turnover:4290 (10080) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 28 : Comp. daily 64.81 (65.40). 15 day average 66.37 (65.45)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	107.5	108.8	109.0 107.0

Turnover 100 (131) lots of 40 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Aug	126.00	133.00	126.00 126.00
Oct	129.00		129.00 129.00
Dec	135.00		135.00 134.00

Turnover 50 (0) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Jul	1616	1615	1629 1609
Oct	1630	1651	1640 1630
BFI	1699	1703	

Turnover 281 (170)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Sep	112.50	112.35	112.35 112.25
Nov	115.60	115.30	115.40 115.25
Jan	119.10	118.85	119.00 118.85
Mar	122.50	122.40	122.50 122.20
Barley	**Close**	**Previous**	**High/Low**
Sep	110.80	110.70	
Nov	114.35	114.25	

Turnover: Wheat 133 (123), Barley 0 (86).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jul	98.0	100.0	98.0 98.0
Aug	99.0	100.0	99.0 99.0
Feb	101.5		101.5 101.5

Turnover:38 (398) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	141.72	140.51			
Jul	142.20	141.00	142.60	142.20	78
Sep	143.40	142.00	143.40	142.70	100
Dec	144.00	142.60	144.00	143.50	20

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 22,112 lots	
Cash	1323-4	1325-6		1315-6		
3 months	1355-6	1366-7	1356/1344	1347-8	1348-9	92,474 lots
Copper, Grade A (£ per tonne)					Total daily turnover 26,026 lots	
Cash	1402-3	1396-8	1403/1395	1395-6		
3 months	1414-5	1404-5	1416/1406	1409-10	1410-12	130,760 lots
Lead (£ per tonne)					Total daily turnover 3,467 lots	
Cash	341.5-2.5	344-6	342	342-2.5		
3 months	349.5-50.0	349-50	351.5-347.5	347-8	351.5-2	18,524 lots
Nickel ($ per tonne)					Total daily turnover 2,383 lots	
Cash	8560-70	8445-60	8500	8490-500		
3 months	8520-5	8425-30	8545/8450	8485-6	8545-50	13,469 lots
Tin ($ per tonne)					Total daily turnover 713 lots	
Cash	5640-50	5690-700	584	5630-5		
3 months	5730-40	5775-80	5751/5730	5730-40	5725-30	7,634 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 6,481 lots	
Cash	1077-9	1065-7		1077-8		
3 months	1066-7	1074-5	1067-1060	1064.5-5.0	1065-6	35,528 lots

LME Closing £/$ rate:
SPOT: 1.6148 | 3 months: 1.5950 | 6 months: 1.5790 | 9 months: 1.5673

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	368.90-369.10	
Opening	368.75-369.25	
Morning fix	368.65	226.708
Afternoon fix	368.90	227.337
Day's high	369.90-370.30	
Day's low	368.20-368.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.41	6 months	5.36
2 months	5.40	12 months	5.31
3 months	5.38		

Silver fix	p/fine oz	US cts equiv
Spot	273.75	445.25
3 months	281.25	451.85
6 months	288.40	458.25
12 months	303.40	476.25

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	370.00-371.00	228.00-228.50
Maple leaf	378.00-379.00	233.00-233.50
New Sovereign	89.00-90.00	55.00-55.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1250	113	115	12	23
1250	49	88	47	57
1450	15	45	112	112
Copper (Grade A)	**Calls**		**Puts**	
2150	135	143	21	66
2150	72	92	67	113
2350	32	56	116	174
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
550	34	59	9	14
600	10	31	35	36
650	2	15	77	70
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
625	32	59	15	24
650	19	46	27	36
675	11	36	14	51
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
1850	40	67	19	41
1900	13	46	44	62
1950		25	78	99

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	369.9	370.0	372.2	369.0
Sep	371.6	371.7	373.8	371.0
Oct	373.4	373.5	375.3	373.0
Dec	376.9	377.1	379.2	376.4
Feb	380.5	380.7	381.8	380.9
Apr	384.0	384.2	384.3	384.3
Jun	387.5	3387.7	0	0
Aug	391.2	391.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	381.5	376.0	382.0	377.0
Oct	387.0	383.6	387.5	383.0
Jan	391.5	388.1	391.0	390.3
Apr	395.5	392.1	395.0	395.0
Jul	399.5	396.1	400.0	400.0
Oct	406.0	402.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	443.9	442.4	447.0	442.5
Aug	445.9	444.5	0	0
Sep	448.8	447.5	452.5	445.0
Dec	456.7	455.3	460.5	454.0
Jan	458.8	457.4	0	0
Mar	463.3	463.6	466.0	463.0
May	471.2	469.6	470.5	469.5
Jul	477.1	475.4	0	0
Sep	483.7	482.0	0	0
Dec	493.6	492.1	493.0	492.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	101.40	101.00	102.20	100.90
Aug	101.60	100.55	102.00	101.60
Sep	101.20	100.15	101.60	100.30
Oct	100.60	99.55	0	0
Nov	100.00	98.95	0	0
Dec	99.50	98.45	99.70	99.10
Jan	98.90	97.80	0	0
Feb	98.35	97.40	0	0
Mar	97.80	96.85	97.50	97.25
Apr	97.35	96.40	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	114.25	111.30	114.50	111.50
Sep	114.85	113.90	114.90	113.55
Nov	115.60	114.25	115.50	114.30
Jan	115.45	114.15	115.60	114.15
Mar	115.50	114.15	115.70	115.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	20.73	20.56	20.75	20.45
Sep	20.66	20.54	20.67	20.46
Oct	20.61	20.52	20.63	20.45
Nov	20.59	20.52	20.62	20.46
Jan	20.48	20.38	20.49	20.39
Feb	20.37	20.27	20.38	20.31
Mar	20.25	20.17	20.25	20.15
Apr	20.15	20.07	20.15	20.12
May	20.05	19.98	20.05	19.96

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	5620	5578	5625	5550
Sep	5760	5699	5770	5670
Oct	5860	5819	5860	5800
Nov	5965	5929	5965	5929
Dec	6055	6022	6055	6000
Feb	5945	5917	5950	5920
Mar	5686	5687	5705	5650
Apr	5510	5457	0	5435

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	892	860	893	874
Sep	941	908	942	918
Dec	989	962	990	972
Mar	1032	1009	1034	1015
May	1060	1036	1060	1042
Jul	1090	1064	1079	1079
Sep	1115	1089	0	0
Dec	1155	1129	0	0
Mar	1195	1169	0	0
May	1222	1196	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	85.25	84.20	85.25	84.25
Sep	86.80	85.90	87.00	86.15
Dec	90.20	89.25	90.20	89.50
Mar	93.25	92.60	93.35	92.50
May	95.65	94.90	95.30	94.90
Jul	97.75	97.30	96.90	96.90
Sep	99.75	99.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	8.46	8.52	8.59	8.41
Mar	8.28	8.24	8.35	8.23
May	8.32	8.35	8.36	8.27
Jul	8.43	8.61	8.44	8.37
Oct	8.69	8.73	8.45	8.45

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	69.50	71.00	71.75	69.10
Oct	72.90	74.90	73.60	72.90
Dec	70.07	71.96	71.10	70.00
Mar	71.11	72.70	72.10	71.00
May	71.75	73.10	72.65	71.50
Jul	72.25	73.45	73.00	72.25
Oct	69.02	69.26	69.15	69.02

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul.1	Jun 28	mnth ago	yr ago
1755.5	1774.5	1717.2	1662.4

DOW JONES (Base: Dec. 31 1974 = 100)

	June 28	Jun 27	mnth ago	yr ago
Spot	127.85	128.84	128.24	132.67
Futures	124.43	124.94	128.54	132.45

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	532/4	528/0	533/4	526/0
Aug	534/6	529/2	535/2	530/2
Sep	538/2	531/0	537/0	532/4
Nov	543/0	536/6	544/0	538/0
Jan	553/2	547/6	554/0	549/4
Mar	564/6	557/0	565/0	560/4
May	574/4	568/0	575/0	569/4
Jul	582/0	572/4	582/2	577/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	18.76	18.53	18.80	18.50
Aug	18.85	18.63	18.93	18.63
Sep	19.00	18.79	19.10	18.80
Oct	19.16	18.99	19.22	19.00
Dec	19.51	19.31	19.55	19.32
Jan	19.65	19.47	19.70	19.52
Mar	19.92	19.80	20.00	19.87
May	20.22	20.00	20.30	20.22
Jul	20.37	20.15	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	161.5	160.6	162.4	160.7
Aug	163.6	162.4	164.2	162.8
Sep	164.6	163.3	165.5	164.0
Oct	165.0	163.0	166.0	164.1
Dec	166.1	164.2	166.8	164.8
Jan	167.3	165.3	167.8	166.2
Mar	169.2	1168.0	170.0	168.7
May	169.5	168.7	172.0	169.5
Jul	170.7	170.7	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	231/2	225/0	231/4	226/4
Sep	229/2	224/0	229/2	225/2
Dec	231/6	226/0	232/0	227/2
Mar	239/4	234/2	239/6	235/0
May	244/2	239/4	244/2	240/2
Jul	249/0	244/2	249/0	245/0
Sep	247/0	242/0	0	0
Dec	246/0	242/0	246/0	242/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	287/0	284/2	288/4	284/2
Sep	275/6	275/0	277/6	273/2
Dec	290/4	290/6	293/4	287/2
Mar	298/0	298/4	300/0	295/0
May	298/0	298/4	300/0	295/0
Jul	289/2	287/0	289/2	288/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	72.70	72.22	72.80	71.72
Oct	74.92	74.50	74.95	73.90
Dec	75.60	75.56	75.62	74.97
Feb	74.87	75.07	75.00	74.60
Apr	73.25	75.40	75.45	75.10
Jun	73.40	73.65	73.40	73.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	53.20	54.57	53.67	53.07
Aug	49.07	50.57	49.07	49.07
Oct	43.70	45.20	43.70	43.70
Dec	43.97	45.47	43.97	43.97
Feb	43.52	45.02	43.90	43.52
Apr	41.95	43.45	42.40	41.95
Jun	45.90	47.40	46.40	45.90

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	49.70	51.70	49.70	49.70
Aug	45.65	47.65	45.65	45.65
Feb	47.82	49.82	47.82	47.82
Mar	46.97	48.97	0	46.97
May	47.60	49.60	0	47.60
Jul	49.70	51.70	0	49.70

LONDON STOCK EXCHANGE

UK market driven by Tokyo rate cut

THE DECISION to cut the discount rate in Tokyo found a favourable reception yesterday in a UK stock market already looking for a technical rally following last week's setback. After a moment's initial uncertainty, London took the view that a move to lower interest rates in Japan heightens the chances of reduced rates elsewhere, particularly in the UK, where evidence of the economic damage wrought by the recession strengthened at the weekend.

The UK market moved steadily ahead throughout the day, gaining further strength when Wall Street opened the new session with an advance of 37 Dow points in London hours. The FT-SE closed just below the day's best with a net gain of 28.8 points at 2,443.6.

But the recovery in share prices was not accompanied by any improvement in trading volumes, in fact quite the opposite. Seaq turnover fell to 356.4m shares from Friday's 549.6m and traders said much of the business was between dealers, as marketmakers struggled to keep trading books evenly balanced in the face of some very modest bargain hunting, mostly from fellow market professionals.

Retail, or customer, business in equities remained fairly modest at between £750m and £850m daily last week during the market's shakeout. The notable exception came on Friday when customer volume jumped to £1.6m as the Footsie fell by 37.7, with late trading featured by a significant sell-off of the blue chip equity leaders.

The feeling that Friday's selling had been overdone helped to inspire the upturn in share prices yesterday morning. Much of the initial impetus came from the futures market, where the September contract on the FT-SE, finally taking over from the June contract the pace-making role in the derivatives sector, moved ahead to a premium of around eight points above its fair value level.

The mood was also encouraged by a more favourable turn in the UK government's showing in the latest public opinion polls. While London analysts sounded uncertain about the motives behind the cut in discount rate in Tokyo – some suggesting it had more to do with boosting the stock market than with economic policy – none felt inclined to discount the likely benefits for UK stocks both of the rate cut and the rise of 817 points in the Nikkei Index prompted by it.

The market's cautious recovery contrasted somewhat with the latest news on the UK economy. Dun & Bradstreet, the business information group, disclosed that bankruptcies in the UK increased by 66.6 per cent in the first half of this year, and the stock market is bracing itself for further bad news on domestic car sales later this week.

City analysts have continued to downgrade their forecasts for UK company results in the face of the flow of dismal trading figures. However, British Steel's fall in profits, announced yesterday, was not as bad as some sector specialists had feared, and the modestly increased dividend payment was well received.

The second half of the year appears to have made a more cautious start than yesterday's share price gains might indicate. At Midland Montagu Research, Mr Roger Bootle said the recession is now expected to be "just about as deep as that in 1979-81, but it will be longer as the trough will be reached one quarter later." He sees no sign of the hoped for pick-up in the economy as the second half of the year gets under way.

Account Dealing Dates		
First Dealings:		
June 17	Jul 1	Jul 15
Option Declarations:		
Jun 27	Jul 11	Jul 25
Last Dealings:		
Jun 28	Jul 12	Jul 26
Account Day:		
Jul 8	Jul 22	Aug 5

*New-time dealings may take place from 8.30 am two business days earlier.

Water stocks hard hit

THE WATER sector sharply underperformed the wider market as marketmakers fought shy of taking stock on board ahead of the industry watchdog's review of the sector's profits for 1990/91.

The review of the sector by the Office of Water Services was one of a number of factors affecting sentiment. Others included further unravelling of the Water Package units ahead of the cessation of trading in the package unit on July 12, the stocks going ex-dividend, and the final 70p call on the partly paid shares which has to be paid on the 30th of the month. The shares will be quoted in fully paid form as from July 15.

Share prices were hit in the first instance by worries that Mr Ian Byatt, director general of Ofwat, would take a hard line on the sharp profits and dividend increases recorded by the water companies.

Some analysts, however, said the Ofwat review was not as hard hitting as they had feared. In a letter to the companies in May, Mr Byatt warned he would take action to reduce excessive profits and dividends. In the review of the annual results, Mr Byatt said dividends were in line with expectations and that profits ploughed back into the industry had risen from 54 per cent to 62 per cent.

A big switch out of 3,000 Package units into Thames Water and Yorkshire Water helped those stocks perform well, the latter closing 7 higher at 285p and the former marginally firmer at 278p.

There was concern among analysts at the possible response of the regulator to the level of profits and diversification moves at Welsh Water (6 down at 271p) and Severn Trent (2½ firmer at 230p). Their profits were respectively 55 and 31 per cent higher, with Welsh recently boosting its stake in South Wales Electricity to 14.9 per cent and Severn Trent buying BET's Biffa waste disposal subsidiary.

Forte downgrade

Hotel issues were sent reeling as analysts downgraded across the board. Forte led the sector lower as the company began a series of analysts' presentations, starting with its own broker, UBS Phillips & Drew. UBS cut its current year profits estimate from £180m to £148m, while Kleinwort Benson moved down from £173m to £136m.

The cause for concern is low UK hotel occupancy. Mr Paul Slattery at Kleinwort said bookings from North America could be as much as 40 per cent below last year's.

The same worries depressed Ladbroke, where early positive comment from some brokers was outweighed by downgradings in line with those for Forte. Goldman Sachs concentrated on the company's property interests, saying: "further underperformance is needed before the property risk if fully discounted."

Ladbroke lost 5¼ to 240p while Forte slid 7 to 246p, both in steady trade. Queens Moat Houses did not escape the analysts' red pencils, but with much of its income emanating from the UK provinces – less dependent on tourism – and France and Germany, the stock was supported by some switching. It firmed a penny to 80p.

Shell in demand

Shell easily outpaced BP, closing 9½ higher at 523p, compared with BP's rise of 2 to 329¼p, as the market responded to a recent spate of buy notes and switch recommendations in favour of Shell. Also stimulating keen buying interest was the start of a week-long visit by UK and US oil sector analysts to Shell's European installations.

Among broking houses behind the recent push in Shell were Smith New Court, Hoare Govett and Shearson Lehman. Smith's oil team met Shell last week and reiterated its strong buy recomendation. Smith sees Shell's earnings outpacing those of the market in general and highlighted the company's determination to enhance return on capital employed via a $65bn investment programme over the next five years.

Most international stocks benefited from good performances by the Tokyo and, in the new session, the New York stock exchanges. Ever-volatile Glaxo climbed 35 to 1257p, while Fisons recovered 12 to 490p after last week's underperformance.

Positive comment on Smith-Kline Beecham from Hoare Govett added to last week's bullish analysis from Smith New Court and pushed the shares 10 better to 764p. Hoare attacked critics of the stock who say that the company has no huge-selling drugs lined up in its portfolio. It argued that the anti-depressant Seroxat could generate sales of £650m in 1996.

The spate of brewing sector downgradings continued, limiting the underpinning effect of better than expected figures from Scottish & Newcastle. Analysts at County NatWest WoodMac trimmed their forecasts for Whitbread and Allied Lyons, as well as for S & N.

They reiterated widely held concern over the slide in beer sales over the last two months and the likely effect of rising unemployment for the rest of the year and beyond. County added that margins would be hurt by competition as brewers struggled to keep sales up.

Whitbread was barely changed in early trading but managed an improvement of 6 by the close to 454p. Allied also firmed 6, to 524p. Broker caution over the last fortnight has taken the S & N price down from 393p. Yesterday it recovered 12 to 382p in good volume.

Grand Metropolitan, with half its earnings in North America, was not held back by the factors that inhibited the domestic brewers. It more than recouped Friday's lost ground with a gain of 20 to 740p.

Cadbury Schweppes recovered from an early loss as worries over a Monopolies and Mergers Commission investigation into the soft drinks industry began to fade. The company has a 51 per cent stake in the UK's biggest soft drinks concern Coca-Cola and Schweppes Beverages.

Weekend press reports suggested that the MMC would rule that CCSB, along with Britvic, the industry number two, had been operating a monopoly against the public interest. Cadbury was initially down 7 but ended 2 up on the day at 349p.

Property shares languished. Land Securities, which has its annual meeting tomorrow, slipped 5 to 476p, its lowest level since October 1990.

First National Finance dipped 8 to 128p, reflecting the slide into losses for the six-month period and the interim dividend omission.

GEC edged up 5 to 193p, with buying stimulated by suggestions that the preliminary profits figure, due today and expected to be around £850m, may be accompanied by a small increase in the dividend.

Courtaulds appreciated 9 to 417p after the company met shareholders at its London headquarters. Analysts said the tone of the meeting was generally encouraging rather than heralding specific good news.

Laporte gained 13 to 561p after a meeting for the speciality chemicals group, hosted by securities house Smith New Court, prompted buying.

A profits downgrade by UBS Phillips & Drew left Redland shares 4 cheaper at 547p. UBS lowered its forecasts for this year from £222m to £200m and for next year from £242m to £200m.

Newman Tonks, Europe's biggest supplier of door, window and electrical fittings to the building industry, put on 3 to 148p on news that it was selling its central heating subsidiary Randall Electronics for £8.5m, and ahead of results expected tomorrow.

Growing hopes that Trafalgar House may be able to sell its cargo shipping arm Ellerman prompted the stock to rise 7 to 230p.

British Steel recovered after last week's fall in spite of confirming the market's worst fears and reporting a slump in full year profits to £253m from the previous year's £733m.

The shares gained 4½ to 125½p as the market appreciated a slight increase in the dividend to 8.75p.

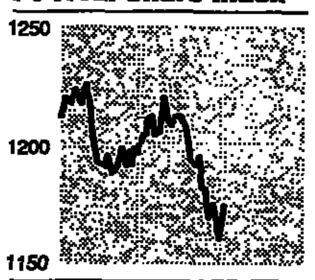
A series of profit forecast downgradings from County NatWest, Nikko Securities and Smith New Court sent Rolls-Royce 3 lower to 151p on turnover of 4.5m shares.

AB Ports had a busy session after the company announced that its property subsidiary had sold its largest development, Aldwych House in central London, for £75.2m. The stock rose 7 to 280p.

Investment trust Gresham House slumped 150 to 75p in belated response to figures on Friday which showed a sharp fall in the company's net asset value and losses of £17m. The shares are one of the most thinly traded in the market.

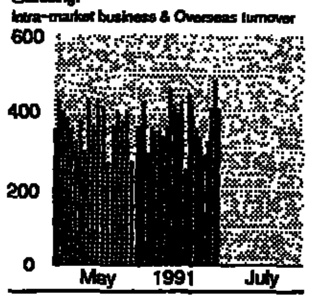
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 25.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	July 1	June 28	June 27	June 26	June 25	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	83.89	83.60	83.43	83.45	83.54	79.80	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.01	92.95	92.81	92.80	92.82	88.19	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1896.7	1877.9	1912.0	1901.5	1921.6	1896.8	2014.5 (5/4)	1808.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	203.9	201.0●	197.5	198.2	195.6	182.6	209.1 (11/6)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2443.6	2414.8	2452.5	2437.3	2461.2	2372.0	2545.3 (5/4)	2054.8 (16/1)	2545.3 (5/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1141.98	1136.32	1147.11	1142.01	1156.66	-	1192.11 (5/6)	938.62 (16/1)	1192.11 (5/6/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.98	5.04	4.96	4.98	4.93	4.88				
●Earning Yld %(full)	8.78	8.88	8.71	8.76	8.67	10.76				
●P/E Ratio(Net)(☆)	14.05	13.88	14.12	14.04	14.18	11.26				
SEAQ Bargns 4.45pm	23,450	28,778	25,728	28,190	26,107	22,505				
Equity Turnover(£m)†	-	1572.26	1788.15	858.71	703.90	563.07				
Equity Bargains†	-	28,126	25,964	25,029	23,765	22,342				
Shares Traded (ml)†	-	405.8	476.5	408.4	325.5	263.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 13.46 ● - Correction

Ordinary Share Index, Hourly changes Day's High 1901.4 Day's Low 1880.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1880.6	1891.4	1894.9	1892.4	1893.8	1895.5	1896.5	1897.1	1901.0

FT-SE 100, Hourly changes Day's High 2444.7 Day's Low 2416.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2416.7	2429.3	2434.3	2434.1	2436.0	2437.9	2438.7	2440.3	2444.6

FT-SE Eurotrack 200, Hourly changes Day's High 1143.78 Day's Low 1139.60

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1140.13	1140.27	1139.74	1140.63	1141.23	1141.73	1142.86

GILT EDGED ACTIVITY

Indices*	June 28	June 27
Gilt Edged Bargains	64.0	76.3
5—Day average	78.1	75.4

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index:
Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	71	618	+18	Courtaulds	249	417	+9	MB Caradon	310	218	+1	Severn Trent Water	1,800	230	+2½
ASDA Group	1,300	94½	+½	Dalgety	228	375	+5	MEPC	318	448	-2	Shell Transport	2,500	523	+9½
Abbey National	2,000	284	+5	De La Rue	233	380	+16	Maxwell	83	225		Siebe	598	448	+3
Albert Fisher	175	118		Dixons	36	207	+4	Marks & Spencer	4,400	248	+5	Slough Ests	22	238	+1
Allied-Lyons	1,100	524	+6	ECC Group	257	417	+6	Maxwell Comms.	47	189		Smith (W.H.) A	108	375	+2
Amstrad	1,700	48	-3	Eastern Elect.	381	189	+3	Midland Bank	1,300	184		Smith & Nephew	1,800	130	+2½
Anglian Water	736	263	-½	East Midland Elect.	123	183	+1	Midlands Elect.	368	193	+1½	SmKl Beecham	1,400	764	+10½
Argos	225	293	+3	Enterprise Oil	214	522	+8	NatWest Bank	3,200	286	+8	SmKl Beecham Uts.	100	3935	+33
Argyll Group	2,500	288	+5	Eurotunnel Units	240	453	+15	National Power	3,400	198	-1	Smiths Inds.	621	249	+3
Arjo Wiggins	1,100	243	+8	FKI	110	58		Next	1,000	34	+1	Southern Elect.	206	179	+2
Ass. Brit. Foods	200	525	+3	Ferranti	5,700	10		North West Water	2,700	252	-3	South Wales Elect.	81	235	+1
BAA	934	494	+1	Fisons	1,300	490	+12	Northern Elect.	276	181	+2	South West Water	617	288	-2½
BAT Inds.	1,400	722	+12	Forte	3,000	246	-7	Northern Foods	431	489	+2	South West. Elect.	11	182	+1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Comm. Union	315	486	+10	Lonrho	368	244	+1	Sedgwick	750	208	+1	Yorkshire Water	3,800	285	+7
Cookson	776	109	+2	Lucas	1,700	142	+2	Seeboard	245	177	+1				

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

STRONG buying of FT-SE 100 index futures at the start of the new stock market account pushed London shares higher.

The session began with institutional buyers out in force, encouraged by the half-point cut in Japanese interest rates and the rally in Tokyo shares.

Stock index futures were also boosted by the widespread belief that the share market was due for a recovery after its 4 per cent decline during the last two-week account.

Trading was brisk. Mr Harvey Neale of UBS Phillips & Drew said: "Initially, people were falling over themselves to buy futures."

The expectation that US shares would recover from Friday's losses sustained the rally, with buyers emerging whenever there were signs of a setback.

At one stage, the September FT-SE contract was trading at a 40-point premium to the spot FT-SE index, compared with 30 on Friday. September ended at 2,475, up 27 points and at a closing premium of 32.

The equity rally fuelled interest in stock index options, which accounted for over half of the day's option turnover. July 2,500 calls and September puts were among the more popular contracts. British Telecom February 360 calls; Allied-Lyons October 550 calls; and Glaxo September 1200 calls were active stock options.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (54).
BRITISH FUNDS (4) Treas. 9pc 1991, Treas. 8¾pc 1993, Treas. 10pc 2001 B, Treas. 2pc IL 1992, AMERICANS (2) Rockwell Intl., Southwestern Bell, CANADIANS (3) Amer. Barrick Res., BC Gas, Muscocho Expl., BANKS (5) Espirito Santo, HSBC, Mitsui Taiyo Kobe, Natl. Aust., Tokai, BREWERS (1) Kirkin, CHEMICALS (3) Cambridge Isotope, Engelhard, Yule Catto, STORES (2) Coles Myer, In Shops, ELECTRICALS (5) GN Gt. Nordic, Sony, TDK, ENGINEERING (2) Atlas Copco B, TACE, FOODS (2) Farepak, JLI, INDUSTRIALS (5) BH Prop., CSR, Cathay Pacific, Mitsubishi, Novo Nordisk B, PAPERS (2) Gold Greenlees Trott, SCA B Free, PROPERTY (1) Lend Lease, TRUSTS (4) First Philippine, I & S Optimum Inc. Zero Div. Prf., London Forfaiting, Scot. Natl. Stppd. Prf., OILS (3) Aberdeen Pet., Ecton, Woodside, MINES (12) CRA, Cons. Murchison, Elandsrand, F.S. Cons. Gold, Gold Fields SA, Homestake, Kloof Gold, MIM, Southvaal, Unisel, Vaal Reefs, Western Deep.
NEW LOWS (58).
BANKS (2) FNFC 6.3pc Cnv. Prf., First Natl. Finance, BUILDINGS (7) Afbrighton, Conder, Graham Wood, Sheriff, Shorco, Turriff, Ward, CHEMICALS (1) Astra, STORES (1) Sears, ELECTRICALS (3) Amstrad, Standard Platform, Star Computer, ENGINEERING (1) Utd. Inds., FOODS (2) Ashley, Carr's Milling, HOTELS (1) Harmony, INDUSTRIALS (11) Amber Indl., Cargo Cntrol, Hadleigh Inds., Hornby, Hunting, Sale Tilney, Stormgard, Tams (J), Williams, Do. Cnv. Prf., Wyko, INSURANCE (1) Archer (A.J), LEISURE (3) Anglia TV, Sunset & Vine, TV-am, PAPERS (1) Repola, PROPERTY (8) Elonbrook, Greycoat, Land Securities, MEPC, Merivale Moore, Mountleigh, Raglan, Scot. Metropolitan, Wales City of London, TEXTILES (1) Aitch, TRANSPORT (1) Seafield, TRUSTS (16) Caledonia, Ensign, First Ireland Wrrnts., Gresham House, Investment Co., Merlin Intl. Green Wrrnts., Murray Ventures, Natl. Home Loans, Do. 7½pc Prf., New Frontiers Devs., WATER (6) North West, Northumbrian, Severn Trent, South West, Southern, Welsh, OILS (4) Atlantic Res., Cairn Energy, Richmond Oil & Gas, XCL Sunrise, MINES (1) Pancont'l.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
99⅞	98⅞	Treas 10pc Cv '91 ‡‡	99⅞	.....	10.0[illegible]	[illegible]
100	99	Exch. 11pc 1991	99	.....	11.0[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
106	103	Exch. 12¼pc 1994	105	+⅛	11.86	10.45
96¾	93¼	Treas 9pc 1994‡‡	96	+⅛	9.37	10.38
106	102	Treas 12pc 1995	104	+⅛	11.47	10.41
89	82¼	Exch 3pc Gas 90-95	86		3.49	7.06
100	96	Exch. 10¼pc 1995	99½	+⅛	10.30	10.41
109	105	Treas 12¾pc 1995‡‡	107	+⅛	11.82	10.44
113	109	Treas. 14pc '96	111	+⅛	12.53	10.69
96¾	92	Treas. 9pc 1992-96‡‡	95	+⅛	9.39	10.11
119	115	Treas 15¼pc 1996‡‡	116	+⅛	13.05	10.68
112¼	108	Exch 13¼pc 1996‡‡	109	+⅛	12.09	10.65
Five to Fifteen Years						
100	95	Conversion 10pc 1996	98	+⅛	10.17	10.41
99	97	Do. 10pc 1996 B	98	+⅛	10.11	10.26
113	108	Treas 13¼pc 1997‡‡	110	+⅛	11.98	10.66
102	97¼	Exch 10½pc 1997	99	+⅛	10.51	10.54
94	89	Treas 8¾pc 1997‡‡	92	+⅛	9.49	10.48
122	117	Exch 15pc 1997	118	+⅛	12.64	10.83
98	93	Exch. 9¾pc 1998	96	+⅛	10.12	10.54
85	80	Treas 6¾pc 1995-98‡‡	84	+⅛	8.00	9.94
127	121¼	Treas. 15½pc '98‡‡	123	+⅛	12.56	10.75
109	104	Exch. 12pc 1998	106	+⅛	11.25	10.65
97	92	Treas 9½pc 1999‡‡	95	+⅛	9.97	10.42
111	105	Exch. 12¼pc 1999	108	+⅛	11.34	10.68
102	97	Treas. 10½pc 1999	99	+⅛	10.54	10.56
101	95	Conversion 10¼pc 1999	98	+⅛	10.43	10.55
94	89	Conversion 9pc 2000‡‡	92	+⅛	9.77	10.39
116	110	Treas. 13pc 2000	112	+⅛	11.52	10.74
100	94	Treas 10pc 2001	97	+⅛	10.30	10.49
37	36	Do. 10pc 2001 B●	37	+⅛	10.32	10.31
118	113	Treas. 14pc '98-01	114	+⅛	12.18	10.85

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
98¾	92	Treas 9¾pc 2002	95	+⅛	10.24	10.50
100	94	Treas 10pc 2003	96	+⅛	10.33	10.46
108	102	Treas. 11½pc 2001-04	104	+⅛	10.99	10.71
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
40	37	Consols 4pc	38½	+⅛	10.42	-
35	33	War Loan 3½pc‡‡	34	+⅛	10.24	-
59	57	Conv. 3½pc '61 Aft.	58	+⅛	6.03	-
29	28	Treas. 3pc '66 Aft.	28	+⅛	10.43	-
25	23	Consols 2½pc	24	+⅛	10.31	-
25	23	Treas. 2½pc	24	+⅛	10.42	-

Index-Linked

1991 High	1991 Low	Stock	(b)	Price £	+ or –	(1)	(2)
129	125	Tr. 2pc '92‡‡	(97.8)	129	+⅛	1.56	5.21
118	115	Do. 2 '94	(102.9)	117	.....	3.73	4.65
172	168	Do. 2pc '96	(67.9)	171	.....	3.75	4.27
142	137	Do 2½pc '01	(78.3)	140	+⅛	4.03	4.33
138	133	Do. 2½pc '03	(78.8)	136½	+⅛	4.11	4.37
140	135	Do. 2pc '06	(69.5)	138	+⅛	4.18	4.39
128	124	Do. 2½pc '09	(78.8)	126	+⅛	4.21	4.40
132	128	Do. 2½pc '11	(74.6)	130	+⅛	4.22	4.40
109	105	Do. 2½pc '13	(89.2)	107	+⅛	4.22	4.38
117	113	Do. 2½pc '16	(81.6)	114	+⅛	4.19	4.35
113	109	Do. 2½pc '20	(83.0)	110	+⅛	4.16	4.30
95	91	Do. 2½pc '24‡‡	(97.7)	92	+⅛	4.11	4.24

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for October 1990: 130.3 and for May 1991: 133.5.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102	95	African Dv Bk 11¼ Ln 2010	99	+⅛	11.21	11.23
97	91	Asian Dev Bk 10¼pcLn2009	94	+⅛	10.81	10.91
112	105	Int-Am Dev Bk 12½pc 2003	109	+⅛	11.46	11.08
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
90	84½	Sth Rhod. 87-92 Asstd.	90	.....	-	-

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
104½	102½	N'wide Anglia 3¾pc Ln 2021	102½	.....	-	5.54
107	104¾	Do. 4.25pcIL '24	104¾	+⅛	-	5.14

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
53	52	Met. Wtr. 3pc 'B'	52	.....	5.77	9.70

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	50	.....	3.50	f7.00
50	50	Do. 6pc 28 Stb. Ass.	50	.....	3	f6.00
50	50	Do 4pc Mixed Ass.	50	.....	2	f4.00
55	55	Hung. '24 Ass.	55	.....	2.75	f3.57
128	120	Hydro Quebec 15pc 2011	124½	+⅛	12.89	11.78

Continued on next page

APPOINTMENTS

Managing director of Tarmac

■ TARMAC CONSTRUCTION has appointed Mr Brian Staples as managing director, in addition to his post as managing director of the major projects division.

■ Mr Peris Thomas has been appointed managing director of BAUKNECHT UK, Croydon, following the promotion of Mr Bart van Mourik to director of marketing research at Bauknecht, Stuttgart. Mr Thomas joins from New World Appliances where he was marketing director.

■ Mr Daniel G. Kelly has been appointed president of CASTELL SAFETY INC, Kentucky, part of the American division of Halma.

■ Mr Julian Knight has been appointed joint managing director of GIROZENTRALE GILBERT ELIOTT succeeding Mr Peter Mills.

■ Mr Brian Merfield and Mr Peter Sykes have been appointed executive directors of SAMUEL MONTAGU & CO, part of Midland Montagu.

■ Mr Andrew C. Warleigh has been promoted to managing director of FURNESS-HOULDER (COMMERCIAL SERVICES). He was joint deputy managing director, and succeeds Mr John W. McLaren who becomes chairman. Mr McLaren is joint managing director of Furness-Houlder (Insurance).

Mr Bill Shotton (pictured) has been promoted in the Heywood Williams glass and aluminium group to managing director of VINYLEX, Cheltenham. He was managing director of Birmingham Powder Coatings.

■ Mr Grant Mitchenall has been promoted to a director of FRASER ASSOCIATED RISKS, and Mr Michael Pakeman has joined as a director.

■ HANNA-BARBERA INTERNATIONAL has appointed Mr Rae Potter as managing director of its UK operations, including home video and licensing. He was with Serif Cowells.

■ Mr Stephen Boon has been appointed managing director of STRATOS VENTILATION PRODUCTS, Southam, a subsidiary of ABB Flakt. He was pre-contracts manager of Flakt Environmental.

■ Mr Robert H. Neville, senior partner in Menzies, chartered accountants, has been appointed a director of BERRY BIRCH & NOBLE.

■ Professor Tom Patten has been appointed a non-executive director of BENSON GROUP. He is non-executive chairman of Sealand Industries.

■ Mr Terry Gardner has been appointed managing director of RATTEE & KETT, a division of John Mowlem Construction. He was commercial director of another group company, Ernest Ireland Construction.

■ Mr Paul Rendell has been appointed finance director of HAWKER ENERGY PRODUCTS, part of Hawker Siddeley's batteries division. He was financial controller of Hawker Batteries.

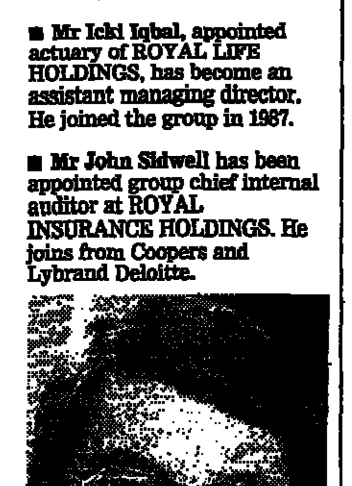
■ PANMURE GORDON & CO, stockbrokers, has appointed to the board: Mr R.J. Baxter, Mr T.D.M. Clarke, Mr P.D. Corbett, Mr M.L. Prew, Mr A.R.N. Sutcliffe, Mr J.N. Thorniley, and Mr R. Warley-Cummings.

■ H. CLARKSON AND COMPANY has appointed Mr Tim Huxley as a director, and Mr David Williams as sale and purchase division director.

■ BARCLAYS REGISTRARS has appointed to the board: Mr Alan Morrison, head of registration services in Northwich, Cheshire; Mr Graham Saunders, information technology; and Mr David Wilcox, investment services.

■ Mr Ichi Iqbal, appointed actuary of ROYAL LIFE HOLDINGS, has become an assistant managing director. He joined the group in 1987.

■ Mr John Sidwell has been appointed group chief internal auditor at ROYAL INSURANCE HOLDINGS. He joins from Coopers and Lybrand Deloitte.



EATON CORPORATION, Hounslow, has appointed Mr Alan E. Best (pictured) as vice president truck components operations, succeeding Mr Derek Dawson who has retired. Mr Best was the division's managing director.

LONDON SHARE SERVICE

AMERICANS

1991 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
32¾	20⅞	Abbott Laboratories	32¼	.....	$1.00	–	1.8
385p	257p	Allegheny & W 1c	308p	+7	30c	–	5.8
10¼	667p	Amdahl 5c	900p	+28	10c	–	0.7
41	25⅛	Amer. Cyanamid $5	39¾	.....	$1.50	–	2.2
17¾	9⅞	Amer. Express 60c	14¼	+⅛	92c	–	3.8
23⅞	15¼	American T. & T. $1	23⅜	−⅛	$1.32	–	3.3
38⅞	32½	Ameritech $1	37	+½	$3.40	–	5.4
24	12⅞	BankAmerica $1⅝	22½	−⅛	$1.20	–	3.2
34¼	20⅛	Bankers N.Y. $1	29¼	−⅛	$1.52	–	9.7
29⅝	24¼	Bell Atlantic $1	29	−⅛	$2.52	–	5.1
31¼	25	BellSouth Corp.	29¾	−½	$2.76	–	5.5
11¼	6⅞	Bethlehem Steel $8	10⅞	−⅛	40c	–	2.3
1839p	1046p	Bowater Inc.	1692p	−29	$1.20	–	4.2
9¾	4½	Brunswick 75c	9¾	+⅛	44c	–	2.9
54	37⅞	CPC Intl. 25c	52½	−½	$2.00	–	2.3
852p	420p	California Engy.	765p	+52	–	–	–
50	28¼	Campbell Soup 15c	45¼	−⅛	$1.16	–	1.5
12⅝	5⅞	Chase Manhattan $12½	11¼	+⅛	$1.20	–	6.4
8⅞	5½	Chrysler $6¼	8⅞	.....	60c	–	4.0
10⅝	5⅞	Citicorp $1	9⅞	.....	$2.00	–	6.6
25	21⅞	Colgate-Palmolive $1	22⅞	.....	$1.06	–	2.7
845p	436p	Cont'l Bank Corp $4	692p	−10	$1.00	–	8.5
21⅝	13⅞	Dana Corp. $1	20¼	−⅛	$1.60	–	4.7
1056p	203p	Data General	907p	−42	–	–	–
22	12¾	Dial Crp. $1.5	21¼	−½	$1.40	–	3.9
29½	20¾	Dun & Bradstreet $1	29½	−⅛	$2.16	–	4.4
39	24¼	Eaton Corpn. 50c	37⅞	−⅞	$2.20	–	–
8⅛	5½	Echlin Inc.	8⅛	+⅛	70c	–	4.9
18⅞	14⅞	FPL Group 1c	18⅝	.....	$2.40	–	7.6
29⅝	17⅞	Fluor Corp 62½pc	28⅞	−⅛	32c	–	0.7
23¼	13⅛	Ford Motor $1	22⅞	−¼	$1.60	–	2.6
46½	28⅞	Gen. Elect. 63c	45¼	−⅛	$2.04	–	2.7
566p	270p	General Host Corp $1	485p	−16	34c	–	4.1
45⅝	20¾	Gillette $1	21¼	−⅛	62c	–	1.7
91p	31p	Gt. American Bank $1	31p	.....	–	–	–
18½	794p	Hasbro Inc 50c	17½	−⅛	24c	–	0.8
37⅞	21⅛	Honeywell $1½	37¼	−⅛	$1.50	–	2.4
22⅝	17⅞	Houston Inds.	22	−⅛	$2.96	–	7.9
72⅞	55⅞	IBM Corpn $1¼	60⅝	+⅛	$4.84	–	4.7
32½	18⅞	Ingersoll-Rand $2	31¼	+⅛	$1.32	–	2.5
27⅝	16⅜	Lockheed Crpn. $1	26⅞	−⅛	$1.80	–	4.0
2156p	1245p	Lowe's 50c	1922p	−43	56c	–	1.7
16⅝	9½	Manuf. Hanover $1	13⅞	−⅛	$3.28	–	14.6
24½	10⅞	Merrill Lynch $1	23⅞	−⅛	$1.00	–	2.5
33⅞	21⅞	Morgan (JP) $2½	32¼	.....	$1.98	–	3.6
41	25⅞	Morris (Philip)	39⅞	−⅛	$1.72	–	2.6
44⅛	39	NYNEX $1	43⅞	−⅛	$4.56	–	6.1
89p	31p	Pac. Agricultural	34½p	.....	–	–	–
22⅞	11⅞	Pall Corp. 25c	22	−⅛	44c	–	1.2
45⅞	33⅛	Pennzoil 83 1/3c	44¼	−⅛	$3.00	–	4.0
39⅝	24⅞	Quaker Oats $5	38⅞	−1⅛	$1.56	–	2.4
37⅞	24⅞	Rep NY Corpn $5	36⅞	−⅛	$1.40	–	2.2
17½	12¼	Rockwell Intl. $1	17½	+⅛	86c	–	3.1
25⅞	12⅞	Sears, Roebuck 75c	23⅞	−⅛	$2.00	–	5.0
33	25⅛	Southwestern Bell $1	33	+⅛	$2.84	–	5.1
20¼	14⅞	Sun Co. Inc. $1	17⅞	−⅛	$1.80	–	5.9
27½	21⅞	Tenneco $5	24⅞	−⅞	$3.20	–	7.3
40½	29⅞	Texaco $6.25	37⅞	−⅛	$3.20	–	5.1
26⅛	17⅛	Texas Instr. $1	28⅞	+⅛	72c	–	2.1
71½	41⅞	Time Warner $1	54⅛	−1⅛	$1.00	–	1.1
16⅝	8⅝	TRINOVA Corp.	15⅝	+⅛	68c	–	2.6
19⅞	14⅛	USX $1	19⅞	.....	$1.40	–	4.3
417p	250p	Unilab	417p	.....	–	–	–
28½	22⅛	Utd. Technologies	27⅞	−⅛	$1.80	–	3.9
74p	42p	UtiliTech Inc.	74p	.....	–	–	–
23	18¼	US West	21⅞	−⅛	$2.08	–	5.7
24⅞	16⅝	Waste Management $1	22⅞	.....	44c	–	1.2
2054p	1053p	Whirlpool $1	1976p	−53	$1.10	–	3.3
20⅞	13½	Woolworth $3½	19¼	−⅛	$1.08	–	3.3

CANADIANS

1991 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
10⅞p	8½p	Abbot Energy Corp.	10½p	.....	–	–	–
1375p	953p	Amer. Barrick Res.	1375p	+36	8c	–	0.3
19½	13	Bk. Montreal	18½	.....	$2.12	–	6.2
957p	536p	Bk. Nova Scot.	890p	−8	$1.00	–	6.1
816p	639p	BC Gas $1	816p	+6	60c	–	4.0
23¼	17¼	BCE	22½	−⅛	$2.56	–	6.1
10½	647p	Brascan	990p	−1	$1.04	–	5.6
36p	19½p	Breakwater Res.	28p	+1½	10c	–	19.2
1717p	1180p	Can. Imp Bank	1611p	+3	$1.32	–	4.4
11	855p	Can. Pacific	10¼	−⅛	64c	–	3.4
36	30	Do. 4pc Deb £100	34	.....	04%	–	14.4
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

For Scot. Hydro-Electric and Scottish Power see EQUITIES under LONDON RECENT ISSUES

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

LONDON SHARE SERVICE

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT–Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS–Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
314	261	Anglian Water £1...α	263xd	–½	17.5	q3.4	7.0	7.2
170	135	East Surrey Water 10p	170	.....	8.0	2.7	6.3	(6.4)
178	155	Mid Kent Hldgs £1	175	.....	a9.67	♦	7.4	♦
318	248	North West Water £1..α	252xd	–3	18.0	q2.5	7.5	5.9
339	256	Northumbrian Water α	257xd	+½	18.6	q2.9	7.6	5.0
305	226	Severn Trent £1.....α	230xd	+2½	17.55	q3.0	7.8	4.7
300	221	Southern Water £1..α	223xd	+1	17.7	q2.5	8.1	5.5
327	236	Sth West Water £1..α	238xd	–2½	20.0	q2.7	8.7	4.7
323	252	Thames Water £1.....α	278xd	+½	17.5	q2.4	6.7	7.0
356	271	Welsh Water £1.....α	271xd	–6	19.5	q3.4	7.6	4.2
388	255	Wessex Water £1..α	285xd	–½	17.7	2.5	6.6	6.8
390	264	Yorkshire Water £1..α	285xd	+7	17.7	q2.2	6.6	6.8

OIL AND GAS

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
17½	12	♦Aberdeen Pet 10p...α	17½	+½	–	–	–	17.9
49	20	Alliance Res. 10p..α	22	.....	–	–	–	–
8½	6½	♦AmBrit Intl.......α	7	.....	–	–	–	●
40	23	Aran Engy 20p.....α	24	.....	–	–	–	–
3½	3¼	♦Arrow Pet. 10c....	3¼	.....	–	–	–	–

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES–Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
4	2½	♦Croesus Mining N.L.	3¼	.....	–	–	–
43	17	♦Delta Gold 25c......	42	–1	–	–	–
42	28	♦Dominion Mining....	39	+1	†Q4c	7.8	4.9
17	11	Doral Resources......	16	.....	Q1c	–	2.9
4	1½	♦Dragon Mining......	3	.....	–	–	–
28	20	♦Emperor Mines......	24	.....	–	–	–
5½	3	♦Forsayth NL.........	4	.....	–	–	–

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares.
γ Gamma refers to other traded instruments.
Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.
Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1...β	640xd	–15	
Finlay Pkg. 5p....β	27	.....	
Holt (Jos) 25p....β	1975	+47	

IRISH

Cap. 8½% Ln. 1991	£99¾	+¼
9pc Cap Ln. 1996	£98	+¼
Fin. 13% 97/02	£114¼	.....
Arnotts	155	.....
Helton Hldgs.......γ	43	.....
IRG	128½	.....
United Drug	170	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	88
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	68
Vickers	19
Wellcome	40

Property	
Brit Land	30
Control Secs	3
Land Securities	45
MEPC	40
Mountleigh	8½

Oils	
Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	30

Mines	
Lonrho	21
RTZ	48

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	48.51	48.51	51.88	-0.71	6.69
Gilts & Fixed Int	6	110.5	110.5xd	117.2	+0.5	9.81
High Inc Equity	6	129.1	132.9xd	141.3	-2.6	6.02
Worldwide Bond	6	208.6	208.6xd	221.1	....	6.78
Capital Growth						
American Growth	6	198.4	198.4	212.1	-2.1	1.03
Asian Pacific	6	134.5	137.2	145.9	+0.5	1.08
Assets & Earnings	6	168.0	171.8xd	182.7	-1.0	3.16
Capital Reserve Acc	0	105.0	105.0	105.1	....	7.22
Capital Reserve Inc	0	83.05	83.05	83.11	+0.01	7.22
Comdty & Energy	6	79.13	79.13	84.63	-1.29	1.76
1992 Enterprise	6	61.60	63.13	67.15	-0.37	2.87
Euro Capital Acc	6	87.88	87.88	93.98	-0.73	1.44
Euro Capital Inc	6	83.98	83.98	89.79	-0.70	2.45
General	6	163.5	163.5	174.8	-3.3	2.86
Japan	6	101.7	101.7	108.7	+2.7	–
Mastertrust	6	89.49	89.49	95.71	-0.41	2.13
UK Growth Acc	6	154.0	154.0	164.7	-4.4	2.75
UK Growth Dist	6	98.91	98.91	105.7	-4.3	2.77
US Emerging Cos	6	64.89	64.89	69.40	-2.06	–
Income & Growth	6	287.8	287.8xd	307.8	-6.8	4.55
Ethical	6	48.07	48.07xd	51.41	-1.18	3.29
International	6	63.06	63.90	67.97	+0.45	1.29
Dividend & Growth	6	46.37	47.55xd	50.58	-1.04	5.95
Global Gwth & Sec	6	51.29	51.51	54.79	+0.37	1.63

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Small Cos	0	957.0	957.0	1020.0	....	–

Abtrust Unit Trust Managers Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	31.24	31.24	33.18	-0.14	2.40
Cash	–	50.37	50.37xd	50.37	+0.04	11.58
European	5¼	72.32	72.32	76.81	-0.14	0.00
European Income	5¼	74.66	75.17	79.30	+0.17	1.56
Exempt	1	729.2	729.2	753.1	+0.9	5.42
Exempt Income	3¼	158.8	158.8	167.7	-4.2	5.01
Exempt American	3¼	363.6	363.6	378.5	-2.5	1.50
Exempt Pacific	3¼	239.3	239.3	250.6	+1.8	1.53
Extra Income	5¼	37.48	37.48	40.53	+0.11	6.13
Far East Emerg Econs	5¼	54.28	54.28	58.30	-0.14	1.09
Fund Inv Tst	5	111.0	112.8	120.4	+0.3	1.42
Fund Inv Tst Acc	5	179.6	182.5	194.8	+0.4	1.40
Gilt & Fixed Int	5¼	15.88	16.13	17.22	-0.05	11.51
Japan	5¼	170.1	170.1	180.4	+3.3	0.00
Pacific	5¼	38.80	38.87	41.63	+0.21	0.36
Property Share	5¼	47.32	48.73	52.02	-0.90	5.36
Smaller Companies	5¼	35.10	35.10	37.46	.02	2.57
UK Growth	5¼	32.78	32.78	35.42	+0.12	3.92

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings 071-256 5858

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	128.3	129.7	138.0	+0.3	4.01
Gilt & Fxd Int	5	141.5	141.5	148.9	+1.3	8.67
Intl Growth	5¼	150.02	151.7	161.4	+0.3	0.42
North American ♥	5¼	96.59	97.76	104.0	-0.8	0.37
Far East	5¼	123.3	124.3xd	132.2	+1.9	0.35
UK Smaller Cos	5¼	102.6	102.6xd	109.1	-0.4	2.47
European	5¼	54.08	54.08xd	57.71	+0.32	1.10
Japanese Growth	5¼	38.70	38.70	41.44	+0.81	0.00
Managed P'folio	5¼	49.12	49.43xd	52.98	+0.06	1.78
High Income	5¼	142.6	144.5	153.7	-0.3	6.31
High Yielding Gilt	5¼	60.99	60.99	64.28	+0.33	10.23
Cash		51.09	51.09	51.09	+0.01	9.56

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Unit Tst	4	114.13	114.13	121.64	-0.11	2.60
Exempt Smllr Cos	3¼	223.46	223.46	242.27	+1.17	1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Albany Life Assurance Co Ltd – Contd.

Century Life Plc

Crusader Insurance Plc

Assicurazioni GENERALI SpA

Legal & General (Unit Pensions) Ltd

Merchant Investors Assurance Co Ltd

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4BJ 071-430 2348				
Life Managed Fd	104.7	110.3	+0.3	-
Pension Managed Fd	101.5	106.8	+0.6	-
Life Deposit Fd	107.8	113.4	+0.1	-
Pension Deposit Fd	113.4	119.0	+0.1	-

National Financial Management Corp PLC

72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

[illegible]

Prosperity Life Assurance Ltd

1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

[illegible]

Royal Heritage Life Assurance Ltd — Contd.

[illegible]

Shield Assurance Ltd

40 Uxbridge Rd, W5 2BS 081-567 0700

[illegible]

Skandia Life Assurance Co Ltd (z)

Skandia Hse, Portland Terr, Southampton 0703 334411

[illegible]

Swiss Life (UK) PLC

101 London Rd, Sevenoaks 0732 450161

[illegible]

CMI Insurance Co Ltd — Contd.

[illegible]

Eagle Star Intl Financial Services

Hillary Hse, Prospect Hill, Douglas, IoM 0624 662266

[illegible]

ECU Futures Plc

[illegible]

Edinburgh Money Management Ltd

41a Charlotte Square, Edinburgh EH2 4HQ 031 220 1244

[illegible]

Fairmount Financial Services Ltd

Fairmount Hse, Bull Hill, Leatherhead 0372 370000

[illegible]

Gartmore Fund Managers Ltd

[illegible]

Hambros Fd Mgrs (CI) Ltd

PO Box 255, Guernsey 0481 715454

[illegible]

OFFSHORE INSURANCES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

MANAGEMENT SERVICES

[illegible]

GUERNSEY (REGULATED)

[illegible]

FT MANAGED FUNDS SERVICE

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IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

NAPM index pushes up dollar

A STRONGER than expected result of the latest US National Association of Purchasing Managers Index pushed the dollar above DM1.8200 in late European trading yesterday.

It closed in London at the day's peak of $1.8220, rising from DM1.8145 on Friday, boosted by the announcement that the June NAPM index had jumped to 50.9 from 45.4 per cent. The market was looking *for a figure of around* 47 per cent.

New orders rose for the second consecutive month and production grew for the first time since July 1990. It was the fifth straight month the index had risen and was the first climb above the critical 50 per cent level since May 1990. A reading over 50 per cent indicates the manufacturing economy is generally expanding.

Mr Robert Bretz, chairman of the NAPM business survey committee, said "the recession is essentially over for the manufacturing sector as well as the overall economy."

News that US construction spending fell 0.9 per cent in May, compared with a revised 1.2 per cent rise in April, had little impact.

At the London close the dollar had also improved to *Y138.35 from Y137.90; to* FFr6.1700 from FFr6.1475; and to SFr1.5655 from SFr1.5580. On Bank of England figures the dollar's index climbed to 68.1 from 68.0.

A cut in the Bank of Japan's official discount rate did no immediate damage to the yen. The central bank said that an improvement in conditions surrounding prices, given the trend in money supply and the domestic economy, had allowed the move, while noting that money market rates have *declined from* their recent peaks.

The yen lost ground in line with other major currencies against the strong dollar but was virtually unchanged against the D-Mark.

In London the German currency fell slightly to Y75.95 from Y76.00, under the *shadow* of nervousness about the crisis in Yugoslavia and fears about a possible reintroduction of German withholding tax on investment income.

An improvement in the ruling British Conservative Party's popularity, according to the latest opinion polls, provided some support for sterling. The pound was also underpinned by a London Business School report suggesting that the UK economy may be close to turning upwards.

Sterling fell 40 points to $1.6150 against the dollar, but rose to DM2.9425 from DM2.9375; to FFr9.9650 from FFr9.9525; to SFr2.5275 from SFr2.5225; and to Y223.50 from Y223.25. Its index eased 0.1 to 89.5.

The pound remained the third weakest member of the European exchange rate mechanism, above the French franc and Danish krone. Trading *among ERM currencies was* quiet, as central banks in France, the Netherlands and Belgium left interest rates unchanged when injecting liquidity into their respective domestic money markets.

£ IN NEW YORK

July 1	Latest	Previous Close
£ Spot	1.6135-1.6145	1.6215-1.6225
1 month	0.80-0.78pm	0.76-0.74pm
3 months	1.99-1.96pm	2.02-1.99pm
12 months	5.66-5.58pm	5.72-5.62pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 1	Previous
8.30 am	89.6	89.7
9.00 am	89.6	89.7
10.00 am	89.7	89.7
11.00 am	89.7	89.6
Noon	89.6	89.6
1.00 pm	89.6	89.6
2.00 pm	89.6	89.6
3.00 pm	89.6	89.6
4.00 pm	89.5	89.6

CURRENCY MOVEMENTS

Jul 1	Bank of England Index	Morgan** Guaranty Changes %
Sterling	89.5	-21.6
U S Dollar	68.1	-10.6
Canadian Dollar	107.2	+4.0
Austrian Schilling	108.1	+10.7
Belgian Franc	109.5	-3.2
Danish Krone	106.9	+1.9
D-Mark	115.2	+22.4
Swiss Franc	109.8	+18.8
Dutch Guilder	112.1	+14.6
French Franc	101.2	-14.2
Lira	97.8	-20.3
Yen	139.3	+71.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jun 28

CURRENCY RATES

Jul 1	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.810681	0.698712
U S Dollar	5.50	1.31452	1.13436
Canadian $	8.90	1.50118	1.29510
Austrian Sch	7	16.7680	14.4665
Belgian Franc	7.50	49.1039	42.2917
Danish Krone	9	9.22793	7.93484
D-Mark	6.50	2.38191	2.05546
Dutch Guilder	7.75	2.68333	2.31500
French Franc	10¼	8.07707	6.96099
Italian Lira	11½	1771.77	1526.00
Japanese Yen	6	181.272	156.258
Norway Krone	8	9.29103	8.00914
Spanish Peseta	-	149.205	128.754
Swedish Krona	10.00	N/A	7.41757
Swiss Franc	6.00	2.05065	1.76279
Greek Drach	19	N/A	225.068
Irish Punt	-	N/A	0.768224

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jun 28

OTHER CURRENCIES

Jul 1	£	$
Argentina	16281.0 - 16331.0	9965.00 - 9975.00
Australia	2.1140 - 2.1160	1.3035 - 1.3045
Brazil	507.800 - 508.600	312.600 - 312.900
Finland	6.9560 - 6.9685	4.2870 - 4.2900
Greece	318.200 - 324.550	196.410 - 200.340
Hong Kong	12.6040 - 12.6200	7.7630 - 7.7680
Iran	112.50*	70.00*
Korea(Sth)	1163.15 - 1181.90	720.30 - 725.90
Kuwait	0.47720 - 0.47750	0.29410 - 0.29420
Luxembourg	60.25 - 60.35	37.30 - 37.40
Malaysia	4.5160 - 4.5240	2.7880 - 2.7900
Mexico	4897.00 - 4903.00	3015.00 - 3016.00
N.Zealand	2.8285 - 2.8315	1.7410 - 1.7430
Saudi Ar	6.0375 - 6.1140	3.7500 - 3.7510
Singapore	2.8585 - 2.8655	1.7665 - 1.7675
S.Af (Cm)	4.6830 - 4.6940	2.8890 - 2.8920
S.Af (Fn)	5.3615 - 5.4510	3.3005 - 3.3555
Taiwan	44.10 - 44.15	27.15 - 27.20
U.A.E.	5.9110 - 5.9880	3.6720 - 3.6740

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 1	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.754	-3.65	5.02	63
Italian Lira	1538.24	1526.00	-0.80	2.00	44
Belgian Franc	42.4032	42.2917	-0.26	1.45	17
Dutch Guilder	2.31643	2.31500	-0.06	1.25	7
D-Mark	2.05586	2.05546	-0.02	1.20	7
Irish Punt	0.767417	0.768224	0.11	1.08	-1
Sterling	0.696904	0.698712	0.26	0.92	-6
French Franc	6.89509	6.96099	0.96	0.23	-48
Danish Krone	7.84195	7.93484	1.18	0.00	-50

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6145 - 1.6260	1.6145 - 1.6155	0.79-0.77cpm	5.80	2.00-1.97pm	4.92
Canada	1.8435 - 1.8570	1.8460 - 1.8470	0.48-0.41cpm	2.89	0.88-0.78pm	1.80
Netherlands	3.3050 - 3.3175	3.3075 - 3.3175	¾-⅝cpm	2.49	1⅝-1½pm	1.89
Belgium	60.25 - 60.60	60.25 - 60.35	15-10cpm	2.49	32-25pm	1.89
Denmark	11.3050 - 11.3650	11.3325 - 11.3425	2⅜-1⅞orepm	2.18	5⅜-4⅞pm	1.70
Ireland	1.0950 - 1.1035	1.0970 - 1.0980	0.15-0.10pdis	-1.37	0.35-0.25dis	-1.09
Germany	2.9350 - 2.9450	2.9400 - 2.9450	¾-⅝pfpm	2.80	1½-1⅜pm	1.95
Portugal	253.90 - 256.00	253.60 - 254.60	76-110cdis	-4.39	228-295dis	-4.12
Spain	183.70 - 184.60	183.95 - 184.25	14-18cdis	-1.04	45-55dis	-1.09
Italy	2173.00 - 2187.50	2186.50 - 2187.50	1lirepm-par	0.27	par-2dis	-0.18
Norway	11.4175 - 11.4725	11.4250 - 11.4350	½-¼orepm	0.33	2¼-1¾pm	0.59
France	9.9400 - 9.9750	9.9600 - 9.9700	1⅝-1⅜cpm	1.81	3⅝-3¼pm	1.33
Sweden	10.5725 - 10.6325	10.5825 - 10.5925	1¼-¾orepm	1.13	1⅛-⅝pm	0.38
Japan	223.00 - 224.50	223.00 - 224.00	¾-⅝ypm	3.69	1⅞-1¾pm	3.24
Austria	20.62 - 20.70	20.63 - 20.66	4⅝-3½gropm	2.36	11-9¼pm	1.95
Switzerland	2.5200 - 2.5325	2.5225 - 2.5325	⅞-¾cpm	3.86	2-1⅞pm	3.07
Ecu	1.4260 - 1.4335	1.4270 - 1.4280	0.21-0.14cpm	1.47	0.40-0.28pm	0.95

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.41-3.36cpm. 12 Month 5.68-5.56cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6145 - 1.6260	1.6145 - 1.6155	0.79-0.77cpm	5.80	2.00-1.97pm	4.92
Ireland†	1.4715 - 1.4800	1.4720 - 1.4730	0.55-0.50cpm	4.28	1.41-1.31pm	3.69
Canada	1.1400 - 1.1435	1.1425 - 1.1435	0.25-0.28cdis	-2.78	0.70-0.75dis	-2.54
Netherlands	2.0335 - 2.0520	2.0505 - 2.0515	0.55-0.58cdis	-3.31	1.58-1.63dis	-3.13
Belgium	37.20 - 37.45	37.30 - 37.40	10.00-12.00cdis	-3.53	26.00-32.00dis	-3.11
Denmark	6.9750 - 7.0225	7.0175 - 7.0225	1.90-2.20oredis	-3.50	5.55-6.15dis	-3.33
Germany	1.8070 - 1.8225	1.8215 - 1.8225	0.48-0.50pfdis	-3.23	1.39-1.42dis	-3.08
Portugal	157.15 - 158.15	158.00 - 158.10	130-150cdis	-10.63	355-390dis	-9.43
Spain	113.25 - 114.00	113.85 - 113.95	62-66cdis	-6.74	171-178dis	-6.13
Italy	1342.00 - 1355.00	1354.00 - 1354.50	6.20-6.70liredis	-5.72	17.00-18.00dis	-5.17
Norway	7.0450 - 7.0800	7.0750 - 7.0800	2.75-3.05oredis	-4.92	7.10-7.60dis	-4.15
France	6.1200 - 6.1725	6.1675 - 6.1725	2.02-2.07cdis	-3.98	5.45-5.55dis	-3.57
Sweden	6.5225 - 6.5775	6.5525 - 6.5575	2.40-2.65oredis	-4.62	7.10-7.55dis	-4.47
Japan	137.50 - 138.50	138.30 - 138.40	0.18-0.20ydis	-1.65	0.52-0.54dis	-1.53
Austria	12.7250 - 12.7650	12.7550 - 12.7600	3.38-3.75grodis	-3.32	9.00-10.30dis	-3.03
Switzerland	1.5490 - 1.5660	1.5650 - 1.5660	0.26-0.29cdis	-2.11	0.71-0.74dis	-1.85
Ecu	1.1280 - 1.1370	1.1280 - 1.1290	0.42-0.39cpm	4.31	1.15-1.09pm	3.97

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jul 1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11¾ - 11½	11⅝ - 11⅜	11½ - 11⅜	11¼ - 11⅛	10⅞ - 10¾	10⅞ - 10⅝
US Dollar	6 - 5⅞	6 - 5⅞	6⅛ - 5⅞	6⅛ - 6⅛	6⅞ - 6⅛	6¾ - 6⅝
Can. Dollar	8¼ - 8	8⅜ - 8¼	8⅜ - 8¼	8⅜ - 8⅜	8⅜ - 8⅞	9⅛ - 8⅞
Dutch Guilder	9 - 8⅞	9⅛ - 9	9⅛ - 9	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛
Swiss Franc	7¾ - 7½	7¾ - 7½	7⅞ - 7⅞	7⅞ - 7⅞	8 - 7⅞	7⅞ - 7⅞
D-Mark	8⅞ - 8¾	8⅞ - 8¾	9 - 8⅞	9⅛ - 8⅞	9⅛ - 9	9⅛ - 9
French Franc	9⅞ - 9⅜	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞
Italian Lira	12 - 10	11⅛ - 10⅝	11½ - 11	11½ - 11	11⅝ - 11¼	11⅞ - 11⅝
Belgian Franc	9⅛ - 9	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9½ - 9⅝
Yen	8⅛ - 8	8⅛ - 8	8⅛ - 8	8 - 7⅞	7⅞ - 7⅞	7⅞ - 7⅞
Danish Krone	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9½ - 9⅝	9⅝ - 9½	9⅝ - 9⅝
Asian $Sing	6 - 5⅞	6 - 5⅞	6⅛ - 5⅞	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 6⅛

Long term Eurodollars: two years 7⅞-7⅞ per cent; three years 8⅛-8 per cent; four years 8⅜-8⅛ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 1	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.615	2.942	223.5	9.965	2.527	3.312	2187	1.846	60.30	1.427
$	0.619	1	1.822	138.4	6.170	1.565	2.051	1354	1.143	37.34	0.884
DM	0.340	0.549	1	75.97	3.387	0.859	1.126	743.4	0.627	20.50	0.485
YEN	4.474	7.226	13.16	1000.	44.59	11.31	14.82	9785	8.260	269.8	6.385
F Fr.	1.004	1.621	2.952	224.3	10.	2.536	3.324	2195	1.852	60.51	1.432
S Fr.	0.396	0.639	1.164	88.44	3.943	1	1.311	865.5	0.731	23.86	0.565
H Fl.	0.302	0.488	0.888	67.48	3.009	0.763	1	660.3	0.557	18.21	0.431
Lira	0.457	0.738	1.345	102.2	4.556	1.155	1.514	1000.	0.844	27.57	0.652
C$	0.542	0.875	1.594	121.1	5.398	1.369	1.794	1185	1	32.67	0.773
B Fr.	1.658	2.678	4.879	370.6	16.53	4.191	5.493	3627	3.061	100.	2.367
ECU	0.701	1.132	2.062	156.6	6.983	1.771	2.321	1533	1.294	42.26	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE EURODOLLAR OPTIONS [illegible]

LIFFE EURODOLLAR OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls Sept.	Calls Dec.	Calls March	Puts Sept.	Puts Dec.	Puts March
102	-	-	-	0.13	0.40	-
103	-	-	-	0.25	-	-
104	-	-	-	0.45	0.92	-
105	0.99	1.51	-	0.81	-	-
106	0.55	1.04	-	-	-	-
107	0.27	0.68	-	-	-	-
Open Int	80,227	12,548	0	83,303	9,483	0

Estimated volume 16,193 Total Open Interest 185,561

BASE LENDING RATES

	%		%		%
ABN Bank	11.5	Comm.Bk.of London Plc	11.5	McDonnell Douglas Bnk	11.5
Adam & Company	11.5	Co-operative Bank	11.5	Midland Bank	11.5
Allied Trust Bank	11.5	Coutts & Co	11.5	Mount Banking	11.5
AIB Bank	11.5	Cyprus Popular Bk	11.5	NatWestminster	11.5
● Henry Ansbacher	11.5	Dunbar Bank PLC	11.5	Northern Bank Ltd	11.5
B & C Merchant Bank	11.5	Duncan Lawrie	11.5	Nykredit Mortgage Bank	12
Bank of Baroda	11.5	Equatorial Bank plc	11.5	Provincial Bank PLC	14
Banco Bilbao Vizcaya	*11.5*	*Exeter Bank Limited*	*12*	*Roxburghe Bank Ltd*	*12.5*
Bank Credit & Comm	11.5	Financial & Gen. Bank	12	Royal Bk of Scotland	11.5
Bank of Cyprus	11.5	First National Bank Plc	14	● Smith & Williamson Secs.	11.5
Bank of Ireland	11.5	● Robert Fleming & Co.	11.5	Standard Chartered	11.5
Bank of India	11.5	Robert Fraser & Ptnrs.	12	TSB	11.5
Bank of Scotland	11.5	Girobank	11.5	Unibank plc	11.5
Banque Belge Ltd	12	● Guinness Mahon	11.5	● United Bk of Kuwait	11.5
Barclays Bank	11.5	● Hambros Bank	11.5	Unity Trust Bank Plc	11.5
Benchmark Bank	11.5	Hampshire Trust Plc	13.5	Western Trust	11.5
Brit Bk of Mid East	11.5	Heritable & Gen Inv Bnk	11.5	Westpac Bank Corp.	11.5
● Brown Shipley	11.5	● Hill Samuel	11.5	Whiteaway Laidlaw	11.5
CL Bank Nederland	11.5	C. Hoare & Co.	11.5	Yorkshire Bank	11.5
Citibank NA	11.5	Hongkong & Shanghai	11.5		
City Merchants Bank	11.5	● Leopold Joseph & Sons	11.5		
Clydesdale Bank	11.5	Lloyds Bank	11.5		
		Meghraj Bank Ltd	11.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Japanese rate cut

THE BANK of Japan has cut its official discount rate by ½ point to 5½ per cent. The rate was raised from 5¼ per cent last August. Yesterday's cut was the first for four years.

Money market rates in Tokyo have declined recently. The important unsecured overnight call rate fell to 7⅞-7¾ from 8¼ per cent on the discount rate announcement, with *three-month certificates* of deposit declining to 7.61 from 7.92 per cent.

UK clearing bank base lending rate 11.5 per cent from May 24, 1991

In Frankfurt rates showed no reaction to events in Tokyo. Overnight money firmed to 8.90 from 8.85 per cent, in tight conditions, as banks repaid Lombard borrowing and built up reserves at the start of the *month. Lombard borrowing* was DM3.6bn on Friday, the highest daily level since late April.

The Bundesbank is expected to offer liquidity via a securities repurchase agreement tender today, to replace DM46.5bn draining from the market tomorrow as an earlier facility expires.

In London rates had a softer tone following the Japanese cut. Three-month sterling interbank fell to 11¼-11⅛ from 11 5/16-11¼ per cent, with one-year money easing to 10 13/16-10 11/16 from 10⅞-10¾ per cent.

Prices of short sterling futures rose on Liffe. September delivery opened at 89.53 and touched 89.55, before closing at 89.53 compared with 89.47 previously.

The Bank of England initially forecast a day-to-day credit shortage of £300m on the cash market, but revised this to £400m at noon and to £450m in the afternoon. Help of £462m was provided.

Before lunch the authorities bought £125m bank bills outright in band 1 at 11⅜ per cent. In the afternoon another £87m *bills* were purchased, by way of £76m Treasury bills in band 1 at 11⅜ per cent and £11m bank bills in band 1 at 11⅜ per cent. Late assistance of around £250m was provided.

Bills maturing in official hands, repayment of late assistance and a take-up of *Treasury bills drained* £1,092m. This outweighed exchequer transactions adding £175m to liquidity, a fall in the note circulation of £590m and bank balances above target of £20m.

At European money market tenders the Bank of France left its intervention rate at 9 per cent, the *Dutch* Central Bank kept its special advances rate at 8.70 per cent and the Belgian National Bank left its seven-day advances rate at 8.75 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 1) 3 months US dollars		6 months US Dollars	
bid 6⅛	offer 6⅛	bid 6¼	offer 6¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,583 Set by HIGHLANDER

ACROSS

1 Poorly, in pain, son has to lean on part of lower leg (8,6)
10 Glass left on board (5)
11 Air pedal with interconnected pieces for vocalists (4,5)
12 Redoing version that's cut (7)
13 Maid brings a large beer to auditor (7)
14 Cheek muscle never moved (5)
16 Invertebrate's arms can settle at random (9)
19 Consummate one in Paris, having married outside the Church (9)
20 Fully developed in advertising last month (5)
22 Went away with red flag, content (7)
25 Sounds like the season is short and straightforward (7)
27 Argue *incorrectly* about advance payment promise (9)
28 A type of foreign capital (5)
29 Demise of 24 Hours - time for Robin's retirement (3,3,2,3,3)

DOWN

2 Fraud: international group beat the problem (9)
3 Adjoining coast river is slacker (5)
4 Defensive position where final scrap is fought? (4,5)
5 Girl's raised plant for medicinal purposes (5)
6 Deal with China cooked up in Mexico (9)
7 Authoritative statements made by detectives about first of their arrests (5)
8 With pointers, baits are almost unnecessary (7)
9 Work on it, perhaps by choice (6)
15 Make inroads into reserves in succeeding to provide hospitality (9)
17 Incline to agree: there's no animal in pit (3,6)
18 It stops blood-making; in lieu, make a replacement (9)
19 High Tory - just (7)
21 Making the effort is difficult (6)
23 Follow leader of the people (5)
24 Adjusted it to incorporate the aforementioned (5)
26 Male expressed desire to mingle (5)

Solution to Puzzle No.7,582

FACETHEMUSIC
RESPITE SEATTLE
CROSS TURNEDUP
ELDERBERRY PLAN
SIDE GOODHEALTH
ALSATIAN BRAND
OPULENT PIONEER
EXERCISEBOOK

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible] xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

5:00 pm prices June 28

Quotations in cents unless marked $

[illegible]

MONTREAL

4:00 pm prices June 28

[illegible]

Total Sales 10,689,500 shares

INDICES

NEW YORK

DOW JONES	June 28	June 27	June 26	June 25	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2906.75	2934.93	2913.01	2910.11	3035.33 (3/6)	2470.30 (9/1)	3035.33 (3/6/91)	41.22 (2/7/32)
Home Bonds	94.21	94.24	94.06	94.07	95.09 (30/5)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1151.45	1150.56	1146.69	1143.86	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	196.87	199.20	197.81	197.25	220.89 (16/4)	196.87 (28/6)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2934.03 (2946.56) Low 2879.25 (2909.21)

STANDARD AND POOR'S

	June 28	June 27	June 26	June 25	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite‡	371.16	374.40	371.59	370.65	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	442.06	446.38	433.17	442.22	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	28.98	29.20	29.09	28.99	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	203.47	204.94	203.54	203.21	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	358.12	359.43	358.54	358.99	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	475.92	476.24	473.08	473.30	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	June 21	June 14	June 7	year ago (approx.)
Dow Industrial Div. Yield	3.07	3.03	3.05	3.67

	Jun 26	Jun 19	Jun 12	year ago (approx.)
S & P Industrial div. yield	2.83	2.80	2.79	2.96
S & P Indl. P/E ratio	18.68	18.85	18.91	16.95

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Compaq	2,226,600	31¼	+ 1¼
Chase Mnhttn.	2,082,800	16¼	- 1½
Saatchi & S.	2,028,900	⅞	...
Alld. Signal	1,876,200	33⅛	- ⅛
IBM	1,768,800	97⅛	- ½
Pepsico	1,729,800	28⅞	- ⅛
Philip Morris	1,640,500	63½	- ⅝
Businessland	1,617,600	1	...
C&S/Sovran	1,507,800	24	+ ⅛
Centerior	1,463,800	16⅛	- 1⅛

TRADING ACTIVITY

† Volume (Millions)	June 28	June 27	June 26
New York SE	162.670	155.820	186.830
Amex	12.721	9.291	11.347
NASDAQ	160.333	138.909	136.477
NYSE			
Issues Traded	2,056	2,043	2,039
Rises	659	938	688
Falls	915	577	856
Unchanged	482	528	495
New Highs	19	20	19
New Lows	31	16	39

CANADA

TORONTO	Jun 28	Jun 27	Jun 26	Jun 25	1991 HIGH	1991 LOW
Metals & Minerals	3175.24	3181.67	3181.36	3161.77	3284.18 (5/3)	2632.06 (9/1)
Composite	3465.82	3474.61	3481.13	3478.69	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1835.23	1844.53	1845.31	1838.72	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jul 1	June 28	June 27	June 26	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1522.0	1506.2	1500.9	1506.9	1588.3 (29/4)	1204.5 (16/1)
All Mining (1/1/80)	664.3	656.6	652.8	654.4	680.1 (29/4)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	(u)	488.77	494.32	504.29	534.81 (16/4)	398.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1160.28	1162.54	1159.86	1160.32	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	367.37	367.38	367.38	367.76	367.80 (20/6)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	968.5	974.9	971.9	986.5	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	468.07	470.77	470.32	473.42	494.95 (12/6)	394.88 (15/1)
CAC 40 (31/12/87)	1772.81	1747.62	1767.99	1760.52	1874.81 (11/6)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	683.34	682.47	701.04	706.51	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1927.8	1923.2	1978.1	1991.6	2085.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1625.28	1622.18	1666.09	1672.14	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3730.85	3668.64	3629.79	3634.64	3917.09 (20/5)	2984.81 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1363.76	1368.80	1362.54	1366.74	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	583.40	586.21	586.87	589.63	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	24108.76	23290.96	23543.83	25766.38	27146.91 (18/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1868.12	1819.01	1832.10	1847.84	2028.85 (18/3)	1625.80 (17/1)
2nd Section (4/1/68)	3269.33	3237.17	3252.93	3267.43	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	615.69	618.69	622.69	624.08	635.02 (29/5)	478.41 (16/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	278.2	277.2	277.6	276.1	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	198.2	197.5	197.8	196.7	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	759.08	756.75	759.94	763.43	792.13 (4/6)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1053.45	1059.26	1042.32	1048.88	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	402.57	402.15	403.14	404.51	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1408.8	1374.0	1351.0	1372.0	1416.0 (10/6)	971.8 (25/2)
JSE Industrial (28/9/78)	3804.0	3817.0	3797.0	3804.0	3911.0 (20/6)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	616.98	602.60	602.61	597.60	697.62 (4/1)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	274.58	276.99	278.35	278.88	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1130.7	1130.4	1130.2	1125.2	1137.8 (19/6)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	745.2	740.9	744.2	749.0	766.1 (31/5)	590.4 (14/1)
SBC General (1/4/87)	618.1	615.0	617.6	620.7	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	5768.08	5900.70	5951.26	6029.18	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	(c)	765.21	766.80	769.49	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	490.7*	484.8	489.6	489.3	529.2 (17/4)	439.1 (16/1)

**Saturday June 22: Taiwan Weighted Price: 6132.73 Korea Comp Ex. 590.57.

& Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 1 July 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kitano Cons	12.0m	2,000	+210	Hitachi	5.2m	1,180	+50
Nippon Steel	10.2m	424	+16	Akai Electric	4.7m	1,290	+40
Mitsubishi Heavy	8.4m	734	+32	Chiyoda	4.6m	2,180	+110
Hitachi Zosen	7.2m	662	+39	NKK	4.4m	402	+12
Nomura Secs	6.2m	1,710	+100	Mitsui Eng	4.2m	680	+31

3:15 pm prices July 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	0.03	16	232	15¾	15	15⅝	−⅛
18¾	14½	A L Labs A	0.16	0.01	17	350	15⅞	15	15⅞	+⅞
56½	40⅞	AMP Inc	1.44	0.03		192069	51¼	50	50⅞	+1¼
65⅞	44¼	AMR				182917	62⅞	61½	62½	+1¾
2⅜	1¼	ARX			1	11	1½	1½	1½	+⅛
62⅞	41½	ASA	3.50	0.07		151965	u53½	52⅜	52⅝	−⅛
54	39¼	Abbott Lab	1.00	0.02		224024	52½	51¾	52⅜	+⅝
14½	9⅞	Abitibi Pr	0.50	0.04	26	34	13⅝	13½	13⅝	
11⅝	10¾	ACM Gvt In	1.26	0.11		464	11	10⅞	11	+⅛
9¼	8¾	ACM GvOpp	1.01	0.11		35	9	8⅞	9	+⅛
9¼	8¼	ACM Gvt Sp x	1.01	0.11		322	9⅛	9	9⅛	
11	9⅞	ACM Gvt Sc r	1.26	0.12		556	10⅝	10¼	10⅝	+⅛
8⅞	7⅞	ACM Man	1.01	0.12		131	8¼	8⅛	8¼	
12⅞	11½	ACM Managd	1.37	0.11		107	12⅛	12	12⅛	+⅛
7½	4¾	Acme Cleve	0.40	0.06	14	37	6⅛	6	6⅛	+⅛
6	3½	Acme Elect			41	26	4⅛	3⅞	4⅛	+⅜
40	22¼	Acuson				223171	30¼	29½	30	+⅞
18½	14¼	Adams Expr	0.75	0.04	0	133	17⅞	17¾	17¾	
20⅛	18	Adobe12Pf	2.40	0.13		7	18¾	18¾	18¾	
9¼	6¾	Adobe Res			20	127	7⅞	7⅛	7⅛	−⅛
38⅛	18	Ad Micro				19	35	34¾	35	+½
14¼	4⅝	Ad Micro P	3.00	0.24		142991	12⅝	12¼	12½	+½
5⅛	2⅛	Advest Grp	0.16	0.04	5	69	4⅜	4⅜	4⅜	+⅛
49⅛	33⅞	Aetna Lf	2.76	0.06		81645	42⅛	41⅛	42⅛	+1
10⅝	8⅝	Afili A	0.24	0.03	36	596	9¼	9	9	−⅛
20¼	12	Ahmanson	0.88	0.05	10	491	18⅜	18⅛	18⅛	
10⅜	2⅞	Aileen Inc			14	949	u10¾	9¾	10⅝	+1
74⅛	51⅛	Air Pr Chm x	1.68	0.02		161137	70⅛	67¾	69⅝	+2¼
26⅝	16⅝	Airbrne Frt	0.30	0.01		151063	24¾	24¼	24¾	+¾
18⅞	12½	Airgas Inc			70	3	14⅞	14⅞	14⅞	+¼
15¼	10	Airlease x	1.60	0.13	6	13	12⅝	12½	12½	−⅛
94	88¼	AlaPw8.16				2	91	90	90	
24¾	21⅛	AlaPw PfA	2.00	0.08		42	24½	24½	24½	
104½	100	AlaPw9.44				z100	101½	101½	103¼	+1¼
106	102⅝	Alab Pw 11				2	104	104	104	
102½	95	Alab Pw 9P				z100	98½	97	98½	
95	88	Alab 8.28C				2	92½	91	92½	
10¼	9½	AlaPwDpPf				10	10	9⅞	9⅞	+⅛
25⅝	17½	Alaska Air	0.20	0.01	84	557	21½	21⅜	21⅛	
17¾	10	Albany Int	0.35	0.02	88	z100	u17⅞	17⅞	17¾	
24¼	20½	AlCulvr B	0.22	0.01	17	62	23½	22½	23½	+1
24⅞	16¾	AlCulvr A	0.20	0.01	14	89	19¼	18¾	19	+⅛
51¾	32⅝	Albertsons	0.56	0.01		221108	41⅛	40⅞	41⅛	+⅝
23⅛	18½	Alcan Alum	1.12	0.05		131497	21	20⅝	20¾	
35⅞	29	Alco Stand	0.88	0.03	14	405	32	31⅛	32	+½
29⅛	20¼	Alexr Alex	1.00	0.04	17	450	22¼	22¼	22½	
37½	19¾	Alexanders			84	37	36	35¼	36	+½
29⅛	21¾	Allegh Lud	0.88	0.03	12	308	25⅞	25⅛	25⅞	+¾
39⅞	35	Allegh Pow	3.16	0.08	10	696	38¾	38½	38¾	+⅛
20¼	15⅜	Allen Gp				15	19	18¾	18¾	
15⅝	9⅝	Allen Con			18	24	13¼	13⅞	13¼	+⅛
25½	16¾	Allergan	0.32	0.02		161082	19¼	18⅞	19	+¼
28⅞	16¼	Allnce Cap	1.84	0.06	20	405	u30½	28⅞	29⅝	+⅞
13⅜	9⅞	Allnce Gl				115	11⅜	11¼	11¼	+⅛
24½	18¾	All Ir Bk				65	23⅝	23⅛	23½	−⅛
34	25⅞	Alld Sig	1.80	0.05		113183	u34¼	32¾	34	+1
9⅞	8¾	AlstMunTr	0.71	0.07		214	9¼	9⅝	9⅝	−⅛
10	8⅝	AlstIncOp	0.78	0.08		236	9¼	9⅝	9¼	+⅛
9⅝	8¼	AlstMnInc	0.74	0.08		234	9½	9⅜	9⅜	
9¼	8⅝	AlstMuInc	0.66	0.07		94	9⅝	9⅜	9⅝	
43	31¼	Altel Crp	1.40	0.04	16	716	38⅝	37	38⅝	+1
73⅛	53¾	Alcoa	1.80	0.02		233793	67¼	66¼	66⅜	−¾
9⅞	9⅛	AmGovInc x	0.96	0.10		21	9¼	9⅜	9⅜	
27½	20⅞	Amax	0.80	0.03		91367	23⅝	23¼	23½	+⅛
15¾	11½	Amax Gold	0.06	0.01	31	124	15	14⅞	15	
1¼	¼	Ambase Cp			0	450	⅜	¼	⅜	−⅛
13½	8	Amcast Ind	0.48	0.04	7	158	12⅝	12⅛	12½	+½
67	42½	Amerada He	0.60	0.01	8	766	51¾	51¼	51½	+⅛
⅝	⅛	Amdura Crp			0	84	¼	¼	¼	−⅛
10⅝	10	Am Adj R x	0.88	0.08		5	10¼	10¼	10¼	
22⅝	18⅞	Am Barrick	0.10	0.00		493495	u22⅞	22¼	22⅞	+½
31⅞	29¼	Am Br2.75				11	31⅝	31½	31½	+¼
[illegible]										

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices July 1

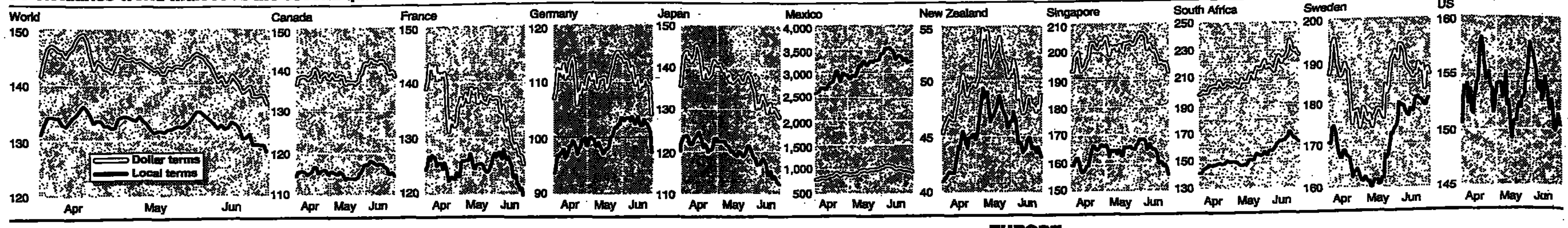
NASDAQ NATIONAL MARKET

3:15 pm prices July 1

FINANCIAL TIMES
Tuesday July 2 1991

FT-Actuaries World Indices in the second quarter 1991

Jointly compiled by The Financial Times Ltd, Goldman, Sachs & Co. and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries



AMERICA

Dow rallies on signs of economic recovery

Wall Street

SOME of the strongest evidence yet that the economy is coming back to life pushed share prices sharply higher across the board yesterday morning, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 37.57 at 2,944.32. The other big indices gained similar ground, with the more broadly-based Standard & Poor's 500 up 5.37 at 376.53 by 1 pm, and the Nasdaq composite index of over-the-counter stocks up 3.75 at 479.67. Turnover was heavy at 98m shares by 1 pm, with risers outpacing decliners by more than two to one.

Shares opened firmer in the wake of an interest rate cut in Japan and a strong overnight Tokyo market, but rose further when the National Association of Purchasing Managers released its June report. The NAPM revealed that its index had risen from 45.4 per cent in May to 50.9 per cent – the fifth consecutive monthly improvement in the index and the first report above 50 per cent since May 1990. Analysts regard any reading in the index over 50 per cent as a sign that the manufacturing sector is expanding.

The NAPM data backs up other recent evidence that the economy is pulling out of its recession, and investors took the chance yesterday to put money into both blue-chip and secondary issues. Among a diverse batch of big stocks to rise in active trading were IBM, up $1⅛ at $98¼, Philip Morris, up $1¼ at $64¾, Procter & Gamble, $2⅛ higher at $79⅛, and Coca-Cola, up $1 at $55⅞.

The banking sector was also well bid. Bankers Trust, up $1⅛ at $49⅞, led the way, boosted by a strong buy recommendation from a Wall Street securities house. Also higher were Citicorp, up $⅜ at $14⅝, Chase Manhattan, $⅜ firmer at $17, J P Morgan, up $⅝ at $53, and Bank of America, up $⅞ at $36¾.

One stock which threatened to buck the trend was Caterpillar, the world's largest manufacturer of earth-moving equipment. The stock initially fell on the news that the company is expected to report a loss for the second quarter, and probably for the whole year, because of declining sales. However, the strength of the market supported Caterpillar shares and by early afternoon they were trading up $¼ at $49⅝.

On the secondary market Amgen tumbled $1⅝ to $116⅛ after a judge ruled against the company in its dispute with an affiliate of Johnson & Johnson, which climbed $⅝ to $84⅛.

● Toronto was closed yesterday for Canada Day.

SOUTH AFRICA

GOLD SHARES rose as bullion prices firmed, but most other Johannesburg stocks eased in quiet trading. The all-gold index rose 26 to 1,400 and the all-share added 6 to 3,312, while the industrial index slipped 13 to 3,804.

ASIA PACIFIC

Nikkei rebounds by 3.5 per cent on discount rate cut

Tokyo

SHARE PRICES jumped on the long-awaited news of a discount rate cut by the Bank of Japan yesterday. The Nikkei average surged 3.5 per cent, rising above the 24,000 resistance level for the first time in six trading days, *writes Emiko Terazono in Tokyo.*

The rate reduction of 50 basis points pushed the Nikkei, which lost 4.1 per cent last week, up 817.80 to close at 24,108.76. The index opened at the day's low of 23,376.53 and reached a high of 24,180.42.

Volume showed some improvement to 330m shares from 250m. Traders said that, while some institutions had sought cheap stocks, most of the activity was restricted to futures-related index buying.

Gains led declines by 984 to 62, while 76 issues were unchanged. The Topix index rebounded 49.11 or 2.6 per cent to 1,819.01, and in London trading the ISE/Nikkei 50 index put on 3.46 to 1,414.96.

In spite of the sharp rally in prices, substantial buying by institutions failed to materialise. Traders noted selling by banks, foreigners and individuals in the afternoon.

Analysts said that, while the euphoria was expected to last for a while, the effects were only psychological. "A 50 basis points discount rate cut will not improve the liquidity situation," commented Mr Robert Feldman at Salomon Brothers.

Mr Matthew Berlow at Credit Lyonnais Securities said short-term interest rates still remained high, and would prevent a sustained rally.

Interest rate-sensitive issues were actively sought. Among large-capital stocks, Nippon Steel rose Y16 to Y424 and Mitsubishi Heavy Industries gained Y32 to Y734. Shipbuilders also advanced, with Hitachi Zosen adding Y39 at Y662.

Securities companies, which had been depressed after the recent client-compensation scandals, gained ground. Nomura Securities picked up Y100 to Y1,710 and Nikko Securities Y79 to Y935.

Kitano Construction, the day's most active issue, rose Y210 to Y2,000. It had fallen on heavy margin selling, after being bought as a potential beneficiary of the Nagano Winter Olympics in 1998.

International blue chips firmed on buying by investment trusts. Hitachi appreciated Y50 to Y1,150 and Fujitsu Y50 to Y1,140. Sony extended a four-day advance, rising Y190 to Y6,490 on demand fuelled by reports of a forthcoming stock split at the end of September.

In Osaka, the OSE average rose 655.96 to 26,929.74 on volume of 17.2m shares, down from 22.7m. Small-lot buying lifted Nintendo, the game maker, Y400 to Y13,600 and Sumitomo Forestry, popular because of brisk orders for its wooden houses, Y50 to Y1,790.

Roundup

INTEREST RATE cuts in Japan and Hong Kong encouraged some Asia Pacific markets yesterday. Taiwan and Bangkok were closed.

HONG KONG responded to Friday's late cut in interest rates by climbing 1.9 per cent in moderate trading. The Hang Seng index added 70.21 at 3,738.85 as turnover swelled from HK$1.1bn to HK$1.6bn, its heaviest in five weeks.

AUSTRALIA was encouraged by news of the Japanese rate reduction, which helped the All Ordinaries index recover from a session's low of 1,496 to 1,522.0, up a net 15.7 or 1.1 per cent. Turnover dropped to A$197m from A$408m.

Almost 9m MIM shares were traded as firm copper prices helped the mining company rise 10 cents to A$2, but CRA shed 10 cents to A$13.50 after a profits warning. BHP eased 5 cents to A$12.70 on news of job cuts in its steel division.

SEOUL moved ahead 1.9 per cent in active trading. Investors' confidence was boosted by the debut of five new securities houses, which bought Won6m worth of stocks in morning trading. The composite index gained 11.63 to 616.90 in turnover of Won165bn.

NEW ZEALAND declined in nervous trading. The Barclays index lost 13.44 to 1,421.54 in turnover of NZ$13.4m. Air New Zealand, which announced a rights issue last week, slipped 5 cents to NZ$1.28.

EUROPE

Muted bourse response to strong overseas trend

BOURSES GAVE a muted response yesterday to the strength in Tokyo and the early rise on Wall Street, *writes Our Markets Staff.*

PARIS achieved a 1.4 per cent gain, but trading was lethargic. The CAC 40 index rose 25.19 to 1,772.81 in turnover of less than FFr1.5bn, down from FFr2.8bn. Computer difficulties delayed the opening of trading.

Elf Aquitaine advanced FFr14.50 or 4 per cent to FFr374 on volume of 210,100 shares. The oil group goes ex dividend today. Another of the day's winners going ex dividend today was UAP, the insurer. It gained FFr25 or 4.7 per cent to FFr553.

GTM-Entrepose, the construction company, lost FFr14.80 or 3.4 per cent to FFr415, after saying that it expected a rise in net profits but not specifying how big.

FRANKFURT was held back by domestic tax increases which came into effect yesterday. Rising inflation and east German unemployment were other depressing considerations, and the DAX index closed only 3.02 higher at 1,625.20 after a 0.87 rise to 683.34 in the FAZ. Volume fell to DM4.9bn from DM8.4bn.

The market was also still trying to absorb last Thursday's threats of higher VAT, and of the re-imposition of withholding tax on interest income. Mr Matthias Weltické of Merck Finck in Düsseldorf said that the enlarged German economy faced serious problems: a strong economy in the old west Germany could prime the pump in the east, but too much of this would bring west German growth to a halt.

In the interim, he said, politicians had promised more than they could deliver, there was no consensus at political level, even within the government party, and monetary aid to the east had been blocked in intermediate institutions.

ZURICH saw a 2.1, or 0.4 per cent, rise in the Crédit Suisse index, but that was far outpaced by the market leaders – mainly chemicals and banks – represented in the FT-SE Eurotrack 100, the Swiss component of which rose 21.30, or 1.9 per cent, to 1,171.23.

Mr Jeremy Silewicz of UBS Phillips & Drew said that the market was remarkably resilient in the face of Frankfurt's recent decline. It was being supported he said, by hopes of lower interest rates and an improvement in the economy.

MILAN closed lower in thin trading on political uncertainties and continuing confusion over government tax plans. The Comit index fell 2.81 to 583.40 in volume estimated at near Friday's L98bn.

Generali, which announced a fall of L22.4bn in consolidated net profit to L550bn, fell L300 to L33,510. Ferruzzi Finanziaria rose L32 to L2,232. Shareholders appointed Mr Arturo Ferruzzi as chairman, replacing Mr Raul Gardini's son, Ivan.

AMSTERDAM ended slightly higher in thin trade dominated by professionals. The CBS Tendency index rose 0.3 to 93.1.

Heineken, the brewer, gained Fl 2.90 to Fl 150.50 after its recent weakness, on hopes of warmer weather which boosts beer sales. Nedlloyd, the transport company, rose Fl 1.30 to Fl 58.20 on speculation that Mr Torstein Hagen was increasing his 23 per cent stake.

MADRID edged higher in light trading. The general index rose 1.65 to 276.45, as turnover eased to about Pta9bn from Pta11.5bn. In the utility sector, Fecsa was suspended at Friday's price of Pta739. Iberduero and Hidrola were active after their boards approved their merger last week. The former fell Pta24 to Pta662 and the latter rose Pta2 to Pta568.

VIENNA rebounded in busy trading after last week's weakness. The ATX index rose 27.21 or 2.4 per cent to 1,142.01, on hopes of an early resolution of the Yugoslav crisis.

ISTANBUL rose 1.6 per cent, after news at the weekend of a new government programme. The 75-share index gained 58.25 to 3,645.61.

FT-SE Eurotrack 100 - Jul 1

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1109.16	1110.97	1110.59	1110.85	1110.79	1110.99	1112.81	1112.76

Day's High 1113.71 | Day's Low 1109.04

Jun 28	Jun 27	Jun 26	Jun 25	June 24
1106.47	1116.92	1114.79	1128.57	1126.07

Base value 1000 (26/10/90)

Yugoslav civil war threat upsets Austria

By Antonia Sharpe

THE THREAT of a second Balkan war this century sent Austria skidding last week, while neighbouring Germany slumped on the prospect of tighter controls on tax evasion in a generally gloomy week for global equity markets.

The FT-Actuaries World Index fell 2.3 per cent in local currency terms, and ended the second quarter with a loss of 2.9 per cent. At the year's half-way stage the index is up 10.7 per cent.

Vienna was the week's worst performer, dropping 5.5 per cent in reaction to the fighting in the republic of Slovenia. There were fears that Austria's trade with Yugoslavia, Turkey, Greece and the Middle East would be disrupted. Mr Andrew Thomson of Kleinwort Benson says the civil uprising coincided with a flood of new paper on to the Austrian market, which soaked up any available liquidity.

The Yugoslav factor apart, expectations of a far more marked economic slowdown in Germany, which would harm Austrian exports, have prompted Kleinwort Benson to downgrade Austria.

The revival of the withholding tax debate in Germany and fears of a rise in interest rates to rein in inflation took their toll on the stock market. As in Austria, these worries came in the middle of the new issue season – Volksfürsorge, Karstadt and Metallgesellschaft will shortly drain the market of DM2bn ($1.1bn).

While the short-term outlook remains uncertain, Kleinwort Benson is positive on Germany for the long term, citing an improved earnings outlook thanks to the stronger dollar and evidence that the worst seems to be over in east Germany. "The inflation outlook is not good but is already implicit in prices," says Kleinwort's Mr Adrian Phillips.

Hong Kong was the week's best performer, rising 2.5 per cent on window-dressing as the second quarter came to a close. Hoare Govett says the one percentage point fall in interest rates should provide momentum for the stock market, the property sector in particular.

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1991	% change sterling † Start of 1991	% change in US $ † Start of 1991
Austria	−5.48	−7.84	−26.03	+8.07	+6.42	−10.73
Belgium	−0.42	−1.60	−9.26	+14.33	+13.06	−5.14
Denmark	−0.35	+4.44	+0.59	+23.42	+21.73	+2.12
Finland	−5.25	−12.07	−21.71	+10.26	+11.30	−6.63
France	−2.89	−5.35	−15.00	+14.03	+12.50	−5.63
Germany	−4.91	−5.26	−16.36	+12.76	+10.76	−7.08
Ireland	+0.74	−2.82	−17.64	+16.06	+14.78	−3.71
Italy	−1.18	−4.30	−24.27	+13.07	+12.78	−5.39
Netherlands	−1.39	−2.07	+0.98	+18.84	+16.97	−1.90
Norway	−3.94	−4.22	−12.24	+9.78	+9.07	−8.50
Spain	−1.27	−3.91	−5.42	+23.09	+23.42	+3.53
Sweden	+0.10	+3.18	−9.77	+36.31	+39.48	+17.01
Switzerland	−2.63	−3.77	−8.10	+20.07	+17.13	−1.73
UK	*−2.96*	*−3.30*	*+1.11*	*+12.49*	*+12.49*	*−5.64*
EUROPE	−2.78	−3.68	−7.47	+14.48	+13.65	−4.66
Australia	−0.12	+0.17	+3.22	+19.54	+41.96	+19.09
Hong Kong	+2.46	−0.38	+12.61	+24.82	+49.45	+25.37
Japan	−2.99	−7.74	−21.32	+4.64	+22.70	+2.93
Malaysia	−1.20	−2.66	+3.96	+13.48	+31.14	+10.01
New Zealand	−0.32	−5.10	−25.20	+12.01	+30.98	+9.84
Singapore	−2.41	−6.12	−8.86	+22.75	+43.81	+20.64
Canada	−1.47	−2.22	−1.05	+4.80	+26.95	+6.49
USA	−1.71	−4.83	+3.85	+12.62	+34.24	+12.62
Mexico	−0.40	−4.33	+107.99	+72.38	+101.24	+68.81
South Africa	−2.93	+8.83	+7.44	+21.20	+48.42	+24.51
WORLD INDEX	*−2.32*	*−5.21*	*−7.96*	*+10.73*	*+25.39*	*+5.19*

† Based on June 28th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and County NatWest Securities Ltd

FT-ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JUNE 28 1991 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY JUNE 27 1991 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1991 High	1991 Low	Year ago (approx)
Australia (70)	140.58	+0.6	128.74	122.54	132.62	121.69	+0.5	5.29	139.72	126.86	121.93	130.32	121.05	147.30	112.74	141.52
Austria (20)	175.55	−3.6	160.76	153.03	165.61	165.31	−2.6	1.65	182.20	165.41	159.00	169.94	169.85	222.37	167.00	256.30
Belgium (49)	125.43	−0.9	114.86	109.33	118.32	115.38	+0.1	5.11	126.55	114.89	110.42	118.03	115.31	151.20	121.73	150.83
Canada (115)	138.47	−0.4	126.81	120.70	130.62	114.51	−0.5	3.40	139.07	126.26	121.35	129.70	115.05	142.27	126.49	137.52
Denmark (37)	237.57	−1.1	217.55	207.09	224.11	225.61	−0.3	1.56	240.11	218.00	209.53	223.95	226.40	270.56	217.74	257.71
Finland (16)	96.30	−2.8	88.18	83.94	90.84	86.51	−2.1	2.82	99.03	89.91	86.42	92.37	88.38	125.16	90.61	135.00
France (114)	124.33	−1.9	113.86	108.37	117.28	119.89	−0.9	3.69	126.72	115.05	110.57	118.18	121.00	152.26	121.85	160.62
Germany (85)	103.98	−3.9	95.21	90.65	98.08	98.08	−2.8	2.28	108.16	98.20	94.40	100.88	100.88	125.35	102.43	133.59
Hong Kong (55)	152.71	+0.6	139.84	133.11	144.06	152.24	+0.9	5.09	151.81	137.83	132.47	141.60	150.89	161.77	119.62	135.61
Ireland (18)	142.95	−0.7	130.91	124.61	134.85	138.61	+0.4	3.74	143.92	130.66	125.59	134.23	136.01	182.46	132.88	189.21
Italy (77)	74.09	−0.9	67.85	64.58	69.89	74.59	−0.1	3.14	74.76	67.87	65.23	69.72	74.69	88.23	72.05	108.16
Japan (474)	128.42	−0.6	117.60	111.94	121.16	111.94	−0.7	0.75	129.23	117.33	112.77	120.56	112.77	146.97	118.35	147.27
Malaysia (68)	233.38	−0.9	213.71	203.42	220.15	250.41	−0.7	2.60	235.57	213.87	205.56	219.71	252.17	247.78	192.83	229.85
Mexico (15)	986.62	+1.7	903.49	860.03	930.73	3252.88	+1.5	1.98	970.44	881.05	846.84	905.12	3204.29	1079.72	534.45	495.74
Netherland (31)	131.48	−1.1	120.39	114.69	124.02	122.55	−0.2	4.37	132.93	120.68	115.99	123.98	122.76	145.73	125.70	141.83
New Zealand (13)	47.68	+0.5	43.67	41.57	44.99	43.92	+0.6	8.00	47.45	43.08	41.41	44.26	43.64	54.64	41.18	64.95
Norway (32)	186.90	−2.0	171.15	162.92	176.32	178.97	−1.0	1.64	190.66	173.09	166.38	177.83	180.82	223.24	182.24	235.27
Singapore (38)	192.14	−1.5	175.95	167.49	181.25	156.63	−1.1	2.16	195.08	177.11	170.24	181.95	158.40	208.25	151.63	200.36
South Africa (61)	227.71	+0.4	208.52	198.49	214.80	165.09	+0.4	3.32	226.79	205.90	197.90	211.52	164.42	238.46	173.00	176.90
Spain (55)	145.27	−2.4	133.03	126.64	137.04	125.02	−1.4	4.26	148.79	135.08	129.84	138.77	126.75	171.12	131.51	170.94
Sweden (26)	186.57	−0.8	170.85	162.64	176.01	180.98	+0.3	2.45	188.13	170.80	164.17	175.47	180.40	204.12	146.60	224.83
Switzerland (59)	87.39	−1.1	80.02	76.18	82.45	84.41	−0.5	2.28	88.33	80.19	77.08	82.39	84.82	100.67	82.17	105.11
United Kingdom (239)	*156.33*	*−2.3*	*143.16*	*136.26*	*147.46*	*143.16*	*−1.4*	*5.13*	*159.97*	*145.24*	*139.59*	*149.19*	*145.24*	*187.44*	*156.27*	*187.75*
USA (525)	150.13	−0.8	137.48	130.88	141.64	150.13	−0.8	3.23	151.38	137.43	132.10	141.20	151.38	158.24	125.95	144.66
Europe (837)	128.26	−2.2	117.45	111.80	121.00	119.48	−1.3	3.98	131.08	119.01	114.39	122.26	121.00	151.52	125.50	150.95
Nordic (111)	178.38	−1.1	163.35	155.49	168.28	164.50	−0.2	1.98	180.41	163.79	157.43	168.27	164.83	200.61	155.55	209.55
Pacific Basin (718)	129.41	−0.5	118.51	112.81	122.08	113.33	−0.6	1.12	130.12	118.14	113.55	121.37	114.06	145.92	117.86	146.52
Euro – Pacific (1555)	129.28	−1.2	118.39	112.68	121.95	116.61	−0.9	2.25	130.83	118.78	114.16	122.02	117.65	147.66	121.29	148.71
North America (640)	149.32	−0.8	136.74	130.18	140.89	147.74	−0.8	3.24	150.53	136.66	131.37	140.42	148.93	157.04	125.91	144.15
Europe Ex. UK (598)	111.00	−2.1	101.65	96.78	104.74	105.58	−1.1	3.18	113.35	102.91	98.93	105.74	106.79	129.80	106.85	139.32
Pacific Ex. Japan (244)	139.02	+0.2	127.31	121.20	131.16	125.00	+0.3	4.66	138.78	125.98	121.10	129.43	124.59	145.56	111.40	136.84
World Ex. US (1746)	131.09	−1.1	120.05	114.28	123.67	117.82	−0.8	2.31	132.57	120.36	115.70	123.66	118.80	148.16	122.32	148.82
World Ex. UK (2032)	134.61	−0.9	123.27	117.34	127.00	126.35	−0.8	2.38	135.79	123.28	118.50	126.66	127.33	145.77	120.06	144.12
World Ex. So. Af. (2210)	135.94	−1.0	124.49	118.51	128.25	127.67	−0.8	2.64	137.35	124.70	119.87	128.12	128.76	148.66	122.92	146.03
World Ex. Japan (1797)	142.12	−1.2	130.15	123.90	134.08	138.68	−0.9	3.56	143.84	130.59	125.53	134.18	137.89	152.83	126.69	147.13
The World Index (2271)	136.54	−1.0	125.03	119.02	128.81	127.98	−0.8	2.65	137.92	125.22	120.36	128.65	129.06	148.01	123.28	146.21

Latest prices were unavailable for this edition.

FT LAW REPORTS

Mareva funds are not freed for Gibraltar company's legal fees

ATLAS MARITIME CO SA v AVALON MARITIME LTD

Court of Appeal (Lord Donaldson, Master of the Rolls, Lord Justice Nicholls and Lord Justice Farquharson): June 14 1991

FUNDS FROZEN by Mareva injunction to prevent a respondent to arbitration from dispersing them before an award is made, will not be released to finance its defence if the reason it has no money for that purpose is that its ultimate parent as sole beneficial shareholder has knowingly denuded it of funds, and if the financial relationship between parent and subsidiary is such that the parent can be expected to pay the subsidiary's legal expenses.

The Court of Appeal so held when allowing an appeal by Atlas Maritime Co SA, from Mr Justice Phillips's variation of a Mareva injunction obtained against Avalon Maritime Ltd pending determination of an arbitration dispute.

LORD DONALDSON said that Atlas, as the claimant in an arbitration, obtained a Mareva injunction against Avalon, the respondent.

The injunction was originally limited to $7.5m, subsequently reduced to $3m and then increased to $4m.

On December 20 1990 Mr Justice Phillips varied the injunction. He added a proviso that Avalon should be entitled to draw its legal expenses from the frozen funds.

The fundamental principle of Mareva injunctions was that a defendant should not be permitted to take action to ensure that subsequent court orders were rendered less effective than would otherwise be the case.

On the other hand, the purpose was not to prevent a defendant carrying on business or living his life normally pending determination of the dispute, "nor to impede him in any way in defending himself against the claim" (*Derby v Weldon [1990] 1 Ch 65.76-77E,87D and 96A*).

Avalon was a private Gibraltarian company incorporated in 1986.

The beneficial owner of its shares, held by nominees, was Nala Transport Incorporated of Monrovia, Liberia. Nala was a wholly owned subsidiary of Marc Rich & Co AG, a Swiss company. Marc Rich also had a UK subsidiary, Marc Rich & Co Ltd, whose treasury manager, a Jennifer Freeman, was responsible for supervising Marc Rich's UK accounting system.

In 1987 a London shipbroker learned that Coral Rose was for sale. He approached Marc Rich. It was not prepared to buy the vessel itself, but was prepared to advance sufficient funds to Avalon for the purchase.

Avalon bought Coral Rose in October 1987 for$7.9m.

According to affidavit evidence the formation of Avalon and the purchase, repair and operation of Coral Rose, were all funded by loan to Avalon from Marc Rich. The financial machinery for all expenditure in connection with Coral Rose was that Marc Rich made the payments and debited them to an account kept by Miss Freeman in Avalon's name.

The original Mareva injunction for $7.5m was granted on March 16 1989 and the reduction to $3m was ordered on March 21. On May 25 1989 Coral Rose was sold. The Avalon account kept by Miss Freeman showed receipts of $7.462m and $2,579, described as "sale proceeds of Coral", immediately followed by an entry "transfer funds to MR $7.464m".

The balance of the purchase price, namely the $3m to which the Mareva injunction applied, was placed on an interest-bearing deposit account in the joint names of the parties' solicitors.

Meanwhile an action was brought in Avalon's name against Tradex Shipping for breach of contract or negligence in relation to Coral Rose. It was settled for $100,000. As the injunction at the time was limited to $3m, Avalon and Marc Rich were free to deal with the £100,000 as they wished. Avalon's solicitors, Clyde & Co, retained $45,000 in a client account for fees and disbursements. The $55,000 balance was remitted to Avalon, which passed it to Marc Rich.

In June 1989 Avalon applied to discharge the Mareva injunction on the ground that it owed money to Marc Rich as a business creditor. Mr Justice Hobhouse refused the application. An appeal by Avalon was dismissed (FT, December 4 1990).

The Court of Appeal accepted that the relationship was one of debtor and creditor. It also accepted that Avalon was to be treated as a separate entity from Marc Rich and that it was not appropriate to pierce the corporate veil in the sense of treating Avalon's rights, liabilities or activities as the rights or liabilities or activities of its shareholders and therefore, indirectly, of Marc Rich.

On the other hand the court thought it appropriate to "lift and look behind" the corporate veil for the purpose of deciding whether it would be equitable to discharge the injunction.

It concluded that the moneys owed to Marc Rich were trading capital rather than routine trading debt and that it was not appropriate to permit repayment where the creditor was sole beneficial shareholder in the debtor company.

That decision was relevant to the extent that it entitled the present court to peek behind the corporate veil. It was distinguishable in that Avalon did not seek to pay Marc Rich out of the funds but to pay Clyde & Co, its legal advisers, for payment of whose fees the fundamental Mareva principle made provision.

Mr Justice Phillips said that if it had been right for him to regard the corporate relationship between Avalon and Marc Rich as a sham and to pierce the veil of incorporation, he could have refused to permit payment of proper legal costs. But, he said the Court of Appeal had made it plain that he could not.

In citing the Court of Appeal decision he failed to direct himself that he could and should "lift up or look behind" the veil.

The proviso to the fundamental Mareva principle only applied where operation of the injunction would "impede" the defence to the claim.

Phillips J cited affidavit evidence that "Clyde's are no longer prepared to go on acting unless they are satisfied that their fees will be met from the funds held".

It was not accepted that Clyde & Co minded from what fund their fees were paid. Avalon's lack of unfrozen funds would in no way impede its defence if it could nevertheless obtain the necessary funds.

Essentially Avalon was asserting that it was unable to pay the fees other than out of frozen funds, because it had no legal right to require Marc Rich to pay them.

In exercising the equitable Mareva jurisdiction, the court should not limit its consideration to funds to which the party concerned had a legal right, if there were reasonable grounds for believing that it could obtain money otherwise.

Mr Justice Phillips misdirected himself in failing to look behind the corporate veil at the financial relationship between Marc Rich and Avalon. The present court therefore had a right and duty to exercise the discretion afresh.

Avalon had never had any funds which it controlled independently of Marc Rich. If it needed money it was provided by Marc Rich and debited to the Marc Rich Avalon account. If it received any sum it was credited to that account and so repaid to Marc Rich.

In the light of the relationship between Marc Rich and Avalon and in the absence of any denial by Marc Rich that funds would continue to be made available to meet Avalon's legal costs, it would not be right or just to vary the injunction. The appeal was allowed.

LORD JUSTICE NICHOLLS concurring, said that justice required that Marc Rich should be left to finance Avalon's defence, if it considered that to be a prudent commercial proposition.

That was not unfair to Avalon or Marc Rich. Having deliberately emptied Avalon's coffers of the proceeds of sale of the vessel, Marc Rich ought fairly to be expected to replenish them if it wished Avalon to defend the claim. Otherwise Avalon's defence, which would enure solely for the benefit of Marc Rich as Avalon's creditor and ultimate parent, would in effect be conducted at Atlas's expense.

Refusal to vary the injunction was not inconsistent with the basic purpose of Mareva orders. The unusual feature was that the only reason Avalon found itself without funds to finance its defence was that its ultimate parent had knowingly denuded it of the funds needed for that purpose.

LORD JUSTICE FARQUHARSON agreed with both judgments.

For Atlas: Jonathan Gaisman (Stephenson Harwood)
For Avalon: Iain Milligan QC (Clyde & Co)

Rachel Davies
Barrister